Exceptional coronavirus support measures of benefit to EU regions

SUMMARY
The coronavirus pandemic is severely impacting the European population and the economy. Consequently the social and economic impact of the crisis is being felt in all EU regions. Although it is still too early to make concrete predictions about the long-term economic impact, the risks of increased disparities and the unravelling of previous years’ progress are real. Furthermore; the consequences of the Covid-19 pandemic could well further impede the social, economic and territorial cohesion of the EU, by exacerbating existing divisions between EU regions.

The European Commission has put forward a number of proposals to alleviate the impact of the coronavirus pandemic on EU territories. The European Parliament has been generally supportive of the Commission’s proposals, triggering urgent procedures to approve them swiftly so that EU citizens could benefit immediately. Actions under various EU funds and policy instruments are now geared towards health-related purposes and the rekindling of the economy. In these critical times, cohesion policy is increasingly drawn upon to provide emergency relief and liquidity support to affected small and medium-sized enterprises (SMEs) and companies. Amendments to the regulation governing the European structural and investment (ESI) funds were approved by Parliament to allow flexible use of the funds in addressing the challenges posed by the crisis. A number of additional regulations and policy instruments meanwhile complement the ESI funds in the fight against the pandemic’s negative consequences.

Local and regional authorities are at the forefront of the pandemic, as they are often responsible for providing much of the emergency response. They can use the adopted EU measures to reinforce their coronavirus action and to support their economic sectors.

This briefing is an update of an earlier edition, published in May 2020.
Background

The European Union’s regions have been severely affected by the pandemic and their health systems overburdened by dramatic increases in patient numbers. As the coronavirus spread continues to put many aspects of human life on hold, it also has a major impact on regions' social and economic fabric, as most economic activities have been disrupted. Even when life returns to normal, it may be some time before economic activity returns to pre-pandemic levels.

According to Eurostat data, in the second quarter of 2020, GDP fell by 11.8% in the euro area and by 11.4% in the EU as a whole compared with the previous quarter (See Figure 1). The pandemic has hit all Member States, with many losing about 10% or more of their GDP. Each Member State’s economic recovery will depend not only on how the pandemic evolved in that country, but also on the structure of their economies and their capacity to respond with stabilising policies.

An OECD study also suggests that the territorial impact of Covid-19 will probably be highly asymmetrical, due to large regional disparities in terms of access to health service and financial means. The study also suggests that the economic impact of the crisis will differ across regions, depending on regions' exposure to tradeable sectors and global value chains. It mentions that regions with economies that are heavily dependent on the tourism industry will be more affected by the coronavirus than others. Capital or other metropolitan regions also show a relatively higher risk of job disruption than other regions.

Certain economic sectors may recover more quickly. However, certain seasonal activities have experienced significant difficulties. Both big companies and SMEs have suffered major losses as they were forced to close for considerable periods and are now suffering from new post-summer lockdowns. Tourist businesses have also been badly affected, with cancellations drastically reducing the numbers of people travelling and using accommodation. Short-term prospects for the future of tourism look bleak. Rural regions have suffered disruption in their agricultural sectors (although limited compared to other economic sectors). The pandemic has also had a negative impact on the fisheries sectors in many coastal areas. An OECD policy response note also provides examples of EU cities that are suffering enormously from the economic meltdown due to Covid-19.

A European Commission staff working document suggests that the crisis risks harming the least resilient and still-converging Member States the most. Figure 2 shows the GDP impact...
of coronavirus on various European regions, illustrating that peripheral regions are already suffering more than others.

The European Commission put forward a number of measures in order to ease the pressure stemming from the impact of the coronavirus pandemic on EU Member States and to benefit all its territories. The European Parliament has been generally supportive of the Commission’s proposals, triggering urgent procedures in order to approve them swiftly so that EU citizens could benefit from their positive impact. Parliament has also been demanding new policy measures in various policy fields in order to do more to tackle the negative impact of coronavirus.

**New measures to tackle the health, economic and social crisis**

The European Commission’s new measures to respond to the coronavirus cover many policy areas (e.g. public health, the fight against disinformation, measures to support businesses and the economy, research, crisis management, etc.). Some of these measures will benefit EU regions directly by allowing them to use funds to cover health needs and to protect their economic sectors. A list of some of the major EU funds and measures that can help EU regions to overcome the challenges of the coronavirus are explained below.

**First package of measures**

The first package of measures, including the Coronavirus Response Investment Initiative (CRII), was proposed by the European Commission on 13 March 2020 (approved by the European Parliament on 26 March and formally adopted by Council and Parliament on 31 March). A number of measures adopted in this package can be of direct help to regions in their fight against the coronavirus pandemic while also alleviating certain economic problems. As part of this first package, the Commission adopted an economic response to the outbreak, applied the full flexibility of the EU fiscal rules, revised its State aid rules and set up the €37 billion CRII to provide small businesses and the health care sector with liquidity. To achieve this, the Commission has proposed amending the current ESI fund rules in order to release investment liquidity. This amendment will help to redirect unspent EU funds to coronavirus-related responses. For instance, it was proposed to remove this year’s obligation to refund unspent pre-financing for the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF) and the European Maritime and Fisheries Fund (EMFF) before programme closure. With this measure, the Commission hopes to redirect €37 billion from available EU funds as soon as possible to the citizens, regions and countries hardest hit by the coronavirus pandemic. These resources may be directed towards healthcare systems, SMEs, labour markets and other vulnerable parts of EU Member States’ economies.

These measures are designed to support healthcare systems, e.g. by financing medical equipment and medicines, testing and treatment facilities, disease prevention, e-health, the provision of personal protective equipment and medical devices, and by adapting the working environment in the health care sector and ensuring access to healthcare for vulnerable groups. They are also aimed at providing companies with liquidity in order to tackle the short-term financial shocks caused by the coronavirus crisis. Special attention can be paid to sectors that are particularly hard hit, and support is temporarily available through national short-time working schemes to help cushion the impact of the shock, in combination with up-skilling and reskilling measures.

Another element of the package is the extension of the EU Solidarity Fund (EUSF) to cover public health emergencies so that it can be mobilised if needed for the hardest hit Member States. The fund can support major and regional disasters. Through this extension, a total of €800 million is potentially available to cover all Member States.

The European Globalisation Adjustment Fund (EGF) could also be mobilised to support redundant workers and the self-employed. Up to €179 million is available in 2020.
Second package of measures

On 2 April 2020, the Commission put forward a second package of measures (including the Coronavirus Response Investment Initiative plus – CRII+). A legislative proposal was included in the package to provide exceptional additional flexibility for use of the ESI funds. The Commission proposed a number of amendments to the regulation on the European Regional Development Fund and the Common Provisions Regulation, which sets out the rules governing the use of all ESI funds. As a temporary and exceptional measure, a proposal was made to allow for the temporary possibility of 100% financing from the EU budget between 1 July 2020 and 30 June 2021 for programmes dealing with the impact of the pandemic, as well as additional transfer possibilities between the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF), and between the different categories of region. Also, possibilities for support for working capital by means of financial instruments should be extended to the European Agricultural Fund for Rural Development (EAFRD). There was also a proposal to exempt Member States from the need to comply with thematic concentration requirements (the obligation to comply with requirements to focus spending on specific priorities) in order to enable the redirection of resources to the areas worst hit by the current crisis. In addition, expenditure incurred in connection with completed or fully implemented operations fostering capacity to respond to coronavirus crisis would be eligible for support under the ESI funds. A number of simplification measures concerned the reporting and auditing of the ESI funds. National authorities could consider adjusting operations or select new ones to tackle the coronavirus outbreak. The proposal aimed at making the best possible use of unspent funds and facilitating the acceleration of programme implementation by frontloading payment appropriations. These measures did not imply any changes to the multiannual financial framework annual ceilings for commitments and payments.

On 2 April, the European Commission also launched a new temporary initiative designed to protect jobs and workers affected by the coronavirus outbreak – the SURE (support to mitigate unemployment risks in an emergency) initiative. The SURE initiative will provide Member States with financial assistance of up to €100 billion in total in the form of loans granted on favourable terms. These loans will help Member States to cover the costs of national short-time work schemes – public programmes allowing firms to reduce working hours while providing income support. The short-time work schemes should help sustain families’ incomes and preserve the productive capacity and human capital of enterprises and the overall economy.

The Commission also adopted a temporary State aid framework on 19 March and amended it on 3 April, to increase investment flexibility and broaden the possibilities for public support. The new framework recognises that the entire EU economy is currently experiencing serious disturbance and aims to help channel economic support, while limiting possible negative consequences in the single market. It lists a number of temporary State aid measures compatible under Article 107(3)(b) of the Treaty on the Functioning of the European Union (TFEU), which can be approved very rapidly upon notification, such as: direct grants, selective tax advantages, state guarantees for loans, subsidised public loans, short-term export credit insurance. The amendment of the temporary framework broadened its scope by adding support for measures related to the fight against the pandemic (research and development, testing facilities, etc.) and to specific companies in sectors or regions particularly affected by the crisis.

On 6 April 2020, the Commission announced that financing estimated at €8 billion would be made available to provide immediate financial relief for SMEs across the EU. The Commission has unlocked €1 billion from the European Fund for Strategic Investments to serve as guarantee for the European Investment Fund (EIF), to issue special guarantees to incentivise local banks and other lenders to provide liquidity for at least 100 000 European SMEs and small mid-cap companies hit by the economic impact of the coronavirus pandemic, for an estimated available financing of €8 billion.

In addition, more flexibility was also introduced by changing the rules for the Fund for European Aid to the Most Deprived (FEAD), which provides around 13 million people in the EU per year with food
aid and basic material assistance. This flexibility will make it easier to deliver the aid and to provide protective equipment, thus lowering the risk of contamination.

The European Investment Bank (EIB) has created a €25 billion guarantee fund to enable the EIB Group to scale up its support for companies in all 27 EU Member States by mobilising up to €200 billion. This guarantee fund comes on top of the immediate support package already announced of up to €40 billion, including guarantee schemes, liquidity lines and asset-backed securities purchasing programmes.

In addition, measures safeguarding the free movement of critical workers also have a positive impact on cross-border regions. Following the reintroduction of internal border checks, the Commission presented guidelines to ensure the free movement of critical workers to enable them to reach their workplaces. In addition to calling on Member States to organise smooth border crossings for critical staff, the guidelines call on Member States to cooperate with regard to the passage of frontier workers in general, as well as posted workers if their work is still permitted in the host Member State.

According to the European Commission, the CRII/CRII+ measures have already had a positive impact. Figure 3 below shows the investment sums that have been used by Member States under the CRII/CRII+ funding options as of 9 October 2020.

![Figure 3 – Impact of CRII/CRII+ measures](image)

Reprogramming:
- €4.1 billion in EU reallocations for health actions resulting in a net increase of €3.8 billion at EU level;
- €8.4 billion in EU reallocations in business support resulting in a net increase of €2.2 billion at EU level;
- €1.4 billion of direct support for people, including workers and vulnerable groups.

Financing and modified rules:
- €7.6 billion in additional EU pre-financing was provided;
- 86 cohesion policy programmes have so far opted for 100% EU co-financing;
- €3.5 billion has been transferred between funds and/or between categories of regions.

Source: European Commission, October 2020.

A European Parliament study recognises the positive added value that the exceptional EU measures may have. Nevertheless, it also highlights a number of risks, including the risk that the urgent need for flexibility and simplification shifts the focus from strategic and structural long-term investments to ad hoc needs. In addition, strengthening the role of national authorities in EU cohesion policy risks weakening the regional dimension and side-lining regional players. The study also claims that clear strategic orientation, strong multi-level governance and intense cooperation between societal groups, administrative levels and policy sectors can contribute to improving the positive policy responses and avoiding such risks.

**Sector-specific measures**

A number of measures adopted may also help certain regions to support their agricultural and fisheries sectors. In addition, discussions between the European Commission and Member States have also begun on ways to support the much-affected tourism industry.

**Agriculture**

Various measures have been adopted in the field of agriculture to support farmers and provide smooth transit for agricultural products. Ensuring the availability of goods and essential services and the free movement of workers in order to ensure an efficient food supply chain has been an EU priority. Passage is now granted for all goods, including agri-food products. Green lanes, at designated key border-crossing points, will have border-crossing checks not exceeding 15 minutes.
Seasonal workers who are vital to the agricultural sector in terms of harvesting, planting and tending functions, qualify as ‘critical workers’ to secure food-sector support. A number of measures were implemented in form of direct support to farmers. Farmers and other rural development beneficiaries will be able to benefit from loans or guarantees to cover operational costs of up to €200 000 at favourable conditions, such as very low interest rates or favourable payment schedules. To increase farmers’ cash flow, the EU has increased advances of direct payments (from 50 % to 70 %) and certain rural development payments (from 75 % to 85 %). Farmers started receiving these advances from mid-October 2020. Higher State aid is also possible for farmers and food processing companies: under the temporary framework for State aid, farmers can now benefit from maximum aid of €100 000 per farm. Food-processing and marketing companies can benefit from a maximum of €800 000. This amount can be topped up by de minimis aid. This type of national support, specific to the agricultural sector, can be granted without prior approval from the Commission, up to a ceiling of €20 000 (and €25 000 in specific cases). On 23 April 2020, the Commission presented additional exceptional measures to further support the most affected agricultural and food markets. The package includes private storage aid measures for the dairy and meat sectors, authorisation of self-organisation market measures by operators in hard hit sectors and flexibility in fruit and vegetable, wine and some other market support programmes. A number of simplification measures, such as the extension of the deadline for common agricultural policy (CAP) payment applications and fewer farm on-the-spot checks, have also been implemented.

In June 2020, additional aid packages were proposed in favour of the wine sector and fruit and vegetable growers, complemented by two extraordinary calls for proposals for a total budget of €10 million for promotion programmes to stimulate sales of products most affected by the crisis (fruit and vegetables, wine, live plants, dairy products, and potatoes for transformation).

### Rural areas: Issues to watch

Other EU strategies may well have a regional impact in the future. The Farm to Fork Strategy presented by the European Commission in May 2020 aims at accelerating the EU’s transition to a sustainable food system that should have a neutral or positive environmental impact, help to mitigate climate change and adapt to its impacts. This system should reverse the loss of biodiversity, ensure food security, nutrition and public health, making sure that everyone has access to sufficient, safe, nutritious, sustainable food. The strategy sets out both regulatory and non-regulatory initiatives, with the common agricultural and fisheries policies as key tools to support a just transition.

Furthermore, the need to design a long-term vision for rural areas was underlined in Commission President Ursula von der Leyen’s political guidelines and in Commissioner for Agriculture, Janusz Wojciechowski’s announcements during his European Parliament hearings (1 and 8 October 2019), where he committed to make specific proposals on the future of rural areas and agriculture. The Commission’s forthcoming communication (due in mid-2021) is likely to aim at supporting a debate at European level on the future of rural areas to 2040.

### Support for the fishing industry

Fishing and aquaculture were among the sectors most immediately impacted by the crisis. The demand for seafood initially plummeted, as retailers, restaurants, canteens and other large-scale buyers reduced or temporarily closed activities. To deal with the socio-economic impact of the coronavirus crisis, the EU has taken several initiatives. The Commission will not request the refunding of unspent ESI funds, including the European Maritime and Fisheries Fund (EMFF). In addition, the CRII Regulation amends Articles 35 and 57 of the EMFF on mutual insurance funds, in order to be able to provide fishermen and aquaculture farmers with compensation to cover economic losses owing to a public health crisis.

In response to many stakeholders’ requests, including Members of Parliament, the Commission adopted a new set of measures for the fishery and aquaculture sectors as part of the CRII+ package covering several legislative proposals. The proposal related to fisheries and aquaculture would
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amend the EMFF and the common market organisation (CMO) regulation to allow for support for the temporary cessation of fishing activities (as provided for under Article 33 of the EMFF Regulation) and support for aquaculture farmers for the temporary suspension of production or additional costs (Article 55 of the EMFF Regulation), caused by the coronavirus crisis and with co-financing by the EU of up to 75%. It includes support for producers for the private storage of fishery and aquaculture products (see Articles 30 and 31 of the CMO Regulation for the storage aid mechanism and the prices below which storage aid is triggered, and Article 67 of the EMFF Regulation which previously ended this measure in 2019). It also allows for more flexibility in reallocating financial resources within the operational programmes and a simplified procedure for amending them with respect to the new measures.

In addition to the measures mentioned above, specific support for the sector is available via the temporary framework for State aid. It allows State aid up to a level of €120 000 per undertaking (previously up to €30 000) through direct grants, repayable advances or tax advantages. This temporary aid can be applied for immediately by Member States and will be granted until the end of the year. Other measures already available include existing EMFF measures, which the Commission highlighted in an information note (for example financial support for local fisheries action groups). Obviously, other measures open to all economic sectors can also be used to the benefit of the fisheries, aquaculture and processing sectors, including, for instance, the ESI fund flexibility measures and EIF and EIB instruments.

The Commission has now allocated an extra €500 million for the next EMFF (via the next Generation EU instrument) to alleviate the socio-economic impact on the sector. While a substantial increase, of more than 8% compared to the budget initially proposed for the EMFF in 2018, the allocation is nevertheless still 5% below the current EMFF (excluding the United Kingdom). The Commission has provided a list of EU-related coronavirus response measures in fisheries and aquaculture.

The tourism industry

Tourism has been badly hit by the cancellation of flights, border controls, restriction of travel and accommodation cancellations. Many regions will suffer as a result of the slowdown in tourist activity. To monitor the problem and assess impacts and risks, the European Commission is in contact with Member States’ ministries responsible for tourism, specialised international organisations (the United Nations World Tourism Organization and the OECD), as well as the EU tourism industry. At a videoconference on 27 April 2020, EU tourism ministers discussed the implications of the coronavirus outbreak on the tourism industry, mitigating measures and the recovery strategy for the tourism ecosystem, which is one of the most badly damaged by the crisis. In his introductory speech to EU ministers, Thierry Breton, Commissioner for the Internal Market, mentioned the main support tools for the sector: the CRII, a €1 billion guarantee for the European Investment Fund, and the temporary SURE initiative for the protection of workers. He also mentioned that EU State aid rules allowed Member States to compensate companies for the damage directly caused by exceptional occurrences, such as the coronavirus outbreak.

On 13 May 2020, the Commission presented a package of guidelines to help Member States gradually lift travel restrictions and allow tourism businesses to reopen. It includes: an overall strategy for tourism and transport in 2020 and beyond, a common approach to restoring free movement and lifting restrictions at EU internal borders in a gradual and coordinated way, and a framework to support the gradual re-establishment of transport while ensuring the safety of passengers and staff. The package also includes recommendations to make travel vouchers an attractive alternative to cash reimbursement for consumers, criteria for restoring tourism activities safely and gradually, and guidelines on developing health protocols for hospitality establishments such as hotels.

European Parliament

Parliament’s committees have accelerated their work because of the coronavirus crisis, requesting application of the urgent procedure under Rule 163 of the Rules of Procedure of the European
Parliament, and referring several European Commission proposals without amendment direct to plenary. As part of the EU’s joint response to the coronavirus pandemic, Members approved the CRII, the CRII+ and a number of other measures during the plenary sessions of March II and April 2020.

Nevertheless, several committees did not merely approve the European Commission proposals, but were also active in pushing for improvements to the Commission’s legislative packages. The Committee on Regional Development (REGI) illustrates the degree of engagement. On 30 March 2020, REGI chair Younous Omarjee, together with vice-chairs and political group coordinators, exchanged views via videoconference with Elisa Ferreira, Commissioner for Cohesion and Reforms, to prepare the EU’s further response to the coronavirus crisis. The REGI chair, along with the vice-chairs, suggested a number of changes to the 2014-2020 cohesion funds, including: money being made available earlier than planned, a temporary increase in the co-financing rate for all categories of regions; increased flexibility in the thematic concentration provisions to allow the channelling of investments to the sectors in most need, and a reduction in the administrative burden. Furthermore, a number of other priorities were mentioned, such as the introduction of the possibility of transfers between different categories of regions, greater flexibility for transfers between funds; mobilisation of more funds for health, adoption of social and economic measures related to the coronavirus pandemic, and possible use of EU funding to support short-time work schemes. Several of these ideas were successfully reflected in the final CRII+ proposals.

The Committee on Agriculture and Rural Development (AGRI) held a debate in April 2020 with the Agriculture Commissioner, Janusz Wojciechowski, which focused on measures proposed by the Commission so far, including loans or guarantees at favourable conditions to cover operational costs of up to €200,000 and reallocating unused agriculture funds to fight the effects of the coronavirus crisis in rural areas. During a second April 2020 debate with the Agriculture Commissioner, Members from the AGRI committee stated that the latest EU aid package for farmers was a good first step, but that it needed to be followed up with further action and money. They also expressed their alarm at the lack of funds to underpin the latest EU rescue package and called for the current aid measures to be extended to other agricultural sectors.

Regarding the fisheries sector, after swift and unprecedented cooperation between Parliament’s Fisheries Committee and the Presidency of the Council, the Commission’s proposal was amended with an informal agreement reached over the Easter 2020 weekend. These changes allow support for fishermen who had just started their activity and those fishing without a boat, and allow provisions for outermost regions to be adapted to deal with the consequences of the crisis.

In March 2020, the dedicated Tourism Task Force of Parliament’s Committee on Transport and Tourism (TRAN) called on the Commission to present a tourism rescue action plan, to ensure timely national and European assistance for the travel and tourism sector, including through national compensation schemes and financial aid instruments, and to establish a crisis-management mechanism for the sector.

On 19 June 2020, the European Parliament adopted a resolution on transport and tourism in 2020 and beyond, calling for additional measures to assist the travel and tourism sector. The resolution sought financial support for the sector, including a dedicated line in the EU budget, and regretted the current lack of a concrete and targeted financial instrument to help the sector’s recovery. It called on the Commission to accord due importance to the tourism sector in the recovery package and to issue guidance to ensure swift access to funding, without excessive red tape, under both ongoing and upcoming programmes. It highlighted the importance of investment in this sector through the Recovery and Resilience Facility of Next Generation EU, which will allow the development of a strategy for a sustainable, flexible and competitive tourism sector across the EU. It also suggested that the EU recovery plan must include the possibility of offering additional financial support to the tourism sector on the basis of the share that the travel and tourism sector contributes to each Member State’s gross domestic product.

In July 2020, Members of the Tourism Task Force requested additional urgent measures to relaunch tourism in Europe and help businesses to survive the crisis. In an open letter to the EU Heads of State
or Government, and to the German Presidency of the Council, the TRAN committee chair called for the allocation of dedicated funding for sustainable tourism in the 2021-2027 multiannual financial framework (MFF).

In September 2020, the Tourism Task Force issued a joint statement after a meeting with stakeholders in the field of tourism, acknowledging the tourism sector’s disappointment with the EU’s efforts to date. The statement called on the EU to come forward with a strategy on sustainable tourism and repeated its call for a dedicated line in the next long-term EU budget. The Task Force seeks a €300 million budget line to implement a common vision for sustainable tourism over the coming seven years, to ensure the sector’s recovery.

Advisory bodies

The European Committee of the Regions (CoR) has defined an action plan to help regions fight the pandemic. Calling for an EU health emergency mechanism, the idea is to foster EU support for local and regional authorities in the health sector, and to use CoR mechanisms to provide concrete feedback from local and regional levels on how to address the health, emergency response, social and economic aspects of the pandemic and their impact on people and their local communities. It would also provide local and regional authorities with regular, practical, information about EU measures to address the crisis, so as to facilitate a reality check on the ground of the EU’s measures to fight the pandemic and gather evidence and thus improve EU policies based on experience at local and regional level. As part of the plan, the CoR has launched an exchange platform to support regional and local communities across Europe.

On 21 April 2020, the CoR’s Conference of Presidents also called for an ambitious recovery plan for a sustainable, resilient and socially just Europe. The statement proposes to ‘push the investment capacity of the EU budget by lifting, at least temporarily, the ceiling of the EU budget beyond the current 1.2% [of] EU GNI [gross national income], and by considering new own resources’.

On 17 March 2020, the European Economic and Social Committee (EESC) issued a declaration on the pandemic, ‘saluting’ the European Commission’s first package of measures. It called for exceptional policy coordination and coherence at EU level, stating that an exceptional situation called for exceptional measures. It noted that the EU must first guarantee all supplies necessary to health systems and secure a comprehensive emergency package through which the EU would take responsibility for a meaningful share of the overall emergency effort. The EESC has also drafted a position paper on exceptional flexibility for the ESI funds and another paper on the CRII.

Stakeholders

On 23 April 2020, the Cohesion Alliance called for continuity in the emergency measures backed by cohesion policy in the worst hit countries and territories, and for stronger than planned investment in cohesion policy for 2021-2027. It demanded extraordinary financial initiatives to contribute to social, territorial and economic cohesion by addressing local tax losses and revenues and supporting local and regional authorities – and related public-owned companies – in running local services for citizens in the pandemic and post-pandemic scenario. It called for all levels of government to come together to invest in improved health services across the EU, both by increasing the funding for health under cohesion policy and by establishing a specialised health mechanism. It called for European groupings of territorial cooperation, Euroregions and all the EU’s border regions to be involved in the fight against the virus, and in the future economic recovery.

In a letter to the European Commission, the Council of European Municipalities and Regions suggested that audit and control rules needed to be drastically relaxed to allow managing authorities to make rapid and secure use of the new measures and spending possibilities opened by the CRII. However, it considered that the ESI funds were not the most appropriate tool to respond to a one-off crisis. They should rather be used to strengthen the structural capacity of Member States and local and regional governments to protect public health and social and economic resilience.
In a paper on Covid-19 and cohesion policy, the Conference of Peripheral Maritime Regions (CPMR) states that there is now even less justification for cuts to the post-2020 cohesion policy envelope. It proposes that the partnership principle, and more specifically the involvement of local and regional authorities concerned, be fully applied throughout the reprogramming process. Although CPRM welcomes the proposal to allow the reprogramming of significant resources without prior approval from the Commission, it states that resources not yet spent or allocated to projects are not equally distributed across Member States and programmes and that there is therefore no certainty that the worst hit areas are necessarily those receiving the greatest support. It also mentions that the implementation of some elements of the CRII+ may present risks in terms of a centralisation of decision-making at national level and that the unprecedented decision to allow unlimited transfer between categories of regions (against the current 3 % limit) should be put in place in a balanced way, and only as a last resort. It states that the use of cohesion policy to tackle emergencies should remain balanced and not lead to diversion of significant resources from its strategic objectives. In addition, the Commission should allow adequate flexibility in programmes to recoup these operations in the next programming period.

In a joint statement of the Eurocities network, mayors of big cities across Europe called for cross-border solidarity during the crisis and strong collaboration between all levels of government. They raised concerns about the violent shock to local labour markets and sharp increases in unemployment, while also drawing attention to the fact that health and social services were stretched beyond limits, affecting vital city services for vulnerable groups, including the elderly, those at risk of domestic violence, homeless people, and people suffering from mental illnesses. They asked for a clear view on sustainably rebuilding communities and cities, and demanded that the EU’s ambition of climate neutrality by 2050 and the European Green Deal stay on track.

In a statement, the Assembly of European Regions (AER) welcomed the measures undertaken by the European Commission but was concerned that granting exceptional flexibility to Member States to distribute the money coming from structural funds would carry the risk of recentralisation and potentially diminish the involvement of regional and local actors in the short and long-term. The European Leader Association for Rural Development has published a paper evaluating the impact of the coronavirus on rural communities. It has also made suggestions for the ESI funds, in particular the EAFRD and how to further enhance community-led local development (CLLD).

The European Network for Rural Development (ENDR) provides examples of projects and initiatives launched primarily by rural communities to cope with the coronavirus emergency, supporting rural businesses and fostering solidarity with vulnerable groups. It also provides information about Commission initiatives and action aimed at alleviating the current difficulties faced by rural areas. FARNET, the network of people implementing community-led local development (CLLD) under the European Maritime and Fisheries Fund (EMFF) also hosts a webpage on efforts and actions being carried out by fisheries local action groups, national networks and managing authorities to help the EU’s fisheries and aquaculture sector overcome the challenges presented by the coronavirus.

Future funding opportunities for EU regions

Negotiations on the EU’s next long-term budget started formally in May 2018, when the European Commission presented a package of legislative proposals. This package included the EU spending plan for 2021-2027 (known as the ‘MFF’ – the multiannual financial framework). In addition, in May 2020, the European Commission put forward a proposal to establish a European recovery instrument, Next Generation EU, to reinforce the 2021-2027 MFF. The instrument would be financed from funds borrowed on the markets by the Commission on behalf of the EU, involving a mix of new and already planned instruments under the EU budget to channel expenditure, combining grants and loans. The proposal, which aims to focus on the geographical areas and sectors hardest hit by the crisis, seeks to stimulate an economic recovery that also ensures quality, since expenditure must be in line with jointly agreed EU objectives such as the green and digital transitions. In terms of regional development, Next Generation EU includes the REACT-EU initiative with funding allocated to those regions suffering the most from the socio-economic impact of the crisis, based on measures
including youth unemployment or the relative prosperity of a Member State. It also includes a proposal that the proposed **Just Transition Fund** to assist Member States in accelerating the transition towards climate neutrality be used to support former coal mining regions and those with carbon-intensive industries.

On 10 November 2020, negotiators from the EU Council, the European Parliament and the Commission reached a **political agreement** on all elements of the EU’s 2021-2027 MFF to overcome the effects of the Covid-19 crisis. A Commission **factsheet** states that the budget for 2021-2027 amounts to €1.074 trillion and is combined with the temporary recovery instrument, Next Generation EU, of €750 billion.

**Outlook: Towards regional resilience?**

The Covid-19 pandemic has brought the question of regional resilience to the fore. An OECD **study** on the territorial impact of Covid-19 provides a number of recommendations on building more resilient regions to better withstand future shocks. According to the study, building resilience may require greater national and subnational-level investment in health care and other public services. Investment in broadband networks and enriching e-government services, e-education and e-learning, tele-medicine, among other things, may also be seen as prerequisites to resilience. Resilience may also depend on an even stronger commitment to providing affordable and accessible quality basic services in all territories and for all people. The study concludes that the Covid-19 crisis could lead to an exponential shift in the circular economy, the relocation of production, short circuits, logistical reorganisation, and the digitalisation of companies.

It remains to be seen how far the transition towards regional resilience will proceed. The extraordinary measures introduced by the EU have the scope to provide local and regional authorities with the support they need to cope with the impact of the coronavirus pandemic. Furthermore, for the 2021-2027 MFF, the Commission proposed to modernise cohesion policy, the EU’s main investment policy and one of its most concrete expressions of solidarity, through a new **legislation package**. Trilogues between the Commission, the Parliament and the Council regarding the final elements of what will be included in the cohesion policy legislative package are ongoing. The European Commission has outlined five main objectives for cohesion policy, which may have the potential to increase the resilience of Member States to withstand future shocks. These should drive EU investment in 2021-2027:

- A smarter Europe, through innovation, digitalisation, economic transformation and support for SMEs;
- A greener, carbon free Europe, implementing the Paris Agreement and investing in energy transition, renewables and the fight against climate change;
- A more connected Europe, with strategic transport and digital networks;
- A more social Europe, delivering on the European Pillar of Social Rights and supporting quality employment, education, skills, social inclusion and equal access to healthcare;
- A Europe closer to citizens, by supporting locally-led development strategies and sustainable urban development across the EU.

Through its direct involvement in tackling the coronavirus epidemic, the EU has a unique opportunity to show that it is not only an organisation that is united in diversity but that, when put to the test, it is also united in adversity. The European Parliament has meanwhile demonstrated quick reflexes by adopting urgent legislation in record time and securing amendments to the European Commission’s proposals.
MAIN REFERENCES


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