

Research for REGI Committee – Cohesion Policy Measures in Response to the COVID-19 Pandemic

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:

- J The measures are used and help to cushion the most urgent needs. Cohesion Policy programmes are amended accordingly.
- J 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.
- J 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.
- J 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 financial volume of 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

The present document is the executive summary of the study on Cohesion Policy Measures in Response to the COVID-19 Pandemic. The full study, which is available in English can be downloaded at: <https://bit.ly/3dGFVKD>

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 still was 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 prefinancing 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 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 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 crises 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 emphasize 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 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.

Further information

This executive summary is available in the following languages: English, French, German, Italian and Spanish. The study, which is available in English, and the summaries can be downloaded at: <https://bit.ly/3dGFVKD>

More information on Policy Department research for REGI: <https://research4committees.blog/regi/>



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