RECOVERY ASSISTANCE FOR COHESION AND THE TERRITORIES OF EUROPE (REACT-EU)

REACT-EU is a legislative proposal to repair the social and economic damage caused by the COVID-19 pandemic, and to prepare for a green, digital and resilient recovery. REACT-EU seeks to mobilise an additional EUR 58 billion for the structural funds in the 2020-2022 period, and to increase flexibility in cohesion policy spending.

LEGAL BASIS


BACKGROUND

Since the onset of the COVID-19 pandemic, the slowdown of economic activity across the Union has caused considerable damage, in particular rising unemployment and a contracting economy. REACT-EU, an initiative presented by the European Commission on 28 May 2020, seeks to repair this damage. It complements two earlier proposals, the Coronavirus Response Investment Initiative (CRII) and the Coronavirus Response Investment Initiative Plus (CRII+), which both amended the rules for Cohesion Policy spending. REACT-EU takes the form of targeted amendments to Regulation EU (No) 1303/2013, the Common Provisions Regulation, which is the legal framework governing the 2014-2020 Cohesion Policy programming period.

COMMISSION PROPOSAL

The Commission’s initial proposal planned to mobilise an additional EUR 58 billion (at current prices) for the structural funds in the 2020-2022 period. Out of this total amount, EUR 5 billion are to be made available in 2020 as a top-up to existing cohesion policy programmes. EUR 42 billion are to be provided in 2021, and EUR 11 billion in 2022 through the European Recovery Instrument (Next Generation EU).

Member States may spend these additional amounts through the European Regional Development Fund (ERDF), the European Social Fund (ESF) or the Fund for European Aid to the most deprived (FEAD).
For the ERDF and the ESF, additional funds will be made available under a new single, thematic objective called ‘fostering crisis repair in the context of the COVID-19 pandemic and preparing a green, digital and resilient recovery of the economy’ under the ‘Investment for growth and jobs’ goal.

For the ERDF, these additional resources are to primarily be used to support investments in products and services for health services, and to provide support in the form of working capital or investment support for SMEs, including operational and personnel costs, and health and safety measures.

For the ESF, the additional resources are to primarily be used to preserve jobs, including through short-time work schemes and support for the self-employed, job creation, in particular for people in vulnerable situations, support to youth employment measures, skills development, and to enhance access to social services of general interest, including for children.

Up to 4% of the additional resources available for programmes under the ERDF and the ESF may be allocated to technical assistance.

Funds are to be distributed among Member States on the basis of a Commission implementing decision and according to certain allocation criteria, which take into account Member States’ relative prosperity and the extent of the effects of the current crisis on their economies and societies. There is no breakdown by region, as is customary for Cohesion Policy.

The Commission is proposing a high pre-financing rate (50%) to ensure that support is delivered quickly to the real economy. Moreover, additional support may be fully financed from the EU budget, without any need for national co-financing, which deviates from usual cohesion policy rules.

COUNCIL POSITION

At the European Council Summit of 17-21 July 2020, EU Heads of State and Government endorsed a budget of EUR 47.5 billion for REACT-EU for the period 2021-2022, as part of the agreement on the European Recovery Plan. However, this is 5% below the Commission’s initial proposal. In line with the European Council’s guidelines, on 22 July 2020 the Council agreed on a partial mandate for negotiations with the European Parliament. The Council emphasised the need to invest more in culture and tourism, sectors severely hit by the pandemic. It also added a new provision allowing the adoption of temporary measures for the flexible use of funds in case of a future crisis. All provisions with budgetary implications or of a horizontal nature have been set aside, pending further progress on the 2021-2027 multiannual financial framework (MFF) and the European Recovery Instrument.

ROLE OF THE EUROPEAN PARLIAMENT

The REACT-EU proposal aims to amend the Common Provisions Regulation. It will be adopted in accordance with the ordinary legislative procedure, which puts Parliament and Council on an equal footing. Parliament therefore has a vital role to play. Within Parliament, the Committee on Regional Development (REGI) took the lead on the
file, and adopted its report on 7 September 2020. The report includes a number of important amendments to the Commission’s proposal. In particular, it stresses the need to maintain the initial budget of EUR 58 billion proposed by the Commission, despite the European Council’s cuts. It also recommends that investments be focused on: health and social infrastructure, health systems and services for all, including cross-border areas, the outermost regions, areas affected by industrial transition and depopulation, tourism and culture, youth employment and disadvantaged groups. In addition, it stresses the need to also use the additional funds for budgetary commitments in 2023 and 2024, going beyond the Commission’s 2022 deadline. The report also recalls that any derogations to normal Cohesion Policy spending rules can only be temporary in nature, and that democratic accountability principles must be safeguarded. At its plenary session in September 2020, Parliament confirmed the mandate to open inter-institutional negotiations with the Council on the basis of the Committee’s report.

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