



Brussels, 28.5.2020
COM(2020) 451 final

2020/0101 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulation (EU) No 1303/2013 as regards exceptional additional resources and implementing arrangements under the Investment for growth and jobs goal to provide assistance for fostering crisis repair in the context of the COVID-19 pandemic and preparing a green, digital and resilient recovery of the economy (REACT-EU)

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• **Reasons for and objectives of the proposal**

Since the start of the COVID-19 pandemic, the Commission has tabled a number of proposals to ensure that all available funding in the 2014-2020 programmes financed from the European Structural and Investment Funds (ESI Funds) can be mobilised to provide immediate responses to the direct and indirect effects of the crisis. These amendments secured the possibility to mobilise available funding to address the needs stemming from increased pressure on health systems as well as to provide support to employers and employees to weather the extraordinary situation. Member States and regions were provided with immediate liquidity and flexibility to allow them to target the ESI Funds where they were most needed. The possibility to make use of a 100% Union financing for these measures for the accounting year starting in 2020 will contribute to alleviating the burden on their public finances.

The spread of the coronavirus across countries has prompted many governments to introduce unprecedented measures to contain the pandemic such as businesses being shut down temporarily or widespread restrictions on travel and mobility. This in turn has led to sharp decline in the level of output in many economies with severe social consequences. It will pose significant challenges for public finances and debt management in the years to come, which in turn may limit public investment necessary for the economic recovery. In addition, national and regional capacities to address the effects of the crisis, differ between Member States and regions due to the diverse economic structures and fiscal positions. If left unaddressed, such differences may result in an asymmetric recovery and lead to increased regional disparities, which in turn can undermine the Internal Market, the financial stability of the Eurozone and our Union as a whole.

The situation is slowly evolving, and many regions and Member States prepare for a cautious easing of restrictions on their societies and enterprises, and restarting their economies. Nevertheless, the direct and indirect effects of the crisis have already taken their toll in many sectors, the process of recovery will take time and the need for further confinement measures cannot be excluded. The economy is contracting and unemployment is rising; the uncertainty of the situation to follow may lead to slower recovery.

In order to prevent the widening of disparities as well as to avoid an uneven recovery process, it is therefore necessary to provide additional support over the short and medium term to Member States and regions, in particular those whose economy has been hardest hit by the pandemic and have least capacity to bounce back, to reinforce their crisis response capacity, to help their economies and societies weather the situation and to prepare the foundations of a swift recovery of their economies.

The extraordinary measures granting the greatest flexibility and financing possible from the ESI Funds have played a major role in supporting Member States and regions addressing the immediate effects of the crisis. It is clear however, that their extent was limited by the availability of unallocated funding remaining at the end of the 2014-2020 programming period. In that context, more needs to be done and this is only possible through making available additional resources.

The Commission is proposing to harness the full power of the EU budget to mobilise investment and frontload financial support in the crucial first years of recovery. These proposals are based on two pillars. On the one hand, a revised multiannual financial framework for 2014-2020 and an emergency European Recovery Instrument, which will temporarily boost the financial firepower of the EU budget by using the headroom in the EU budget to raise additional financing on the financial markets. On the other hand, a reinforced multiannual financial framework for 2021-2027. The Commission is proposing to strengthen key programmes through the European Recovery Instrument to channel investment quickly to where it is needed most, reinforce the single market, step up cooperation in areas such as health and crisis management, and equip the Union with a budget tailor-made to drive the long-term transition to a more resilient, greener, and digital Europe, while supporting the principles of the European Pillar of Social Rights. The present proposal belongs to the first pillar mentioned above.

These additional resources can only be deployed quickly in the real economy, if they are made available in the context of the still ongoing programmes of the 2014-2020 programming period.

It is therefore proposed that additional resources of EUR 58 272 800 000 in current prices are made available for the Structural Funds for the period 2020 to 2022¹. The additional resources for 2020 stem from an increase of the global resources for economic, social and territorial cohesion in the multiannual financial framework for 2014-2020 and constitute additional global resources for the ERDF and the ESF for the current period. The additional resources for 2021 and 2022 constitute external assigned revenue stemming from the European Recovery Instrument.

These amounts will be distributed among Member States taking into account their relative prosperity and the extent of the effects of the current crisis on their economies and societies. By way of derogation from the rules applicable to external assigned revenue set out in the Financial Regulation, these additional resources shall follow the applicable rules set out in the CPR once they are assigned to operational programmes, including CPR rules on commitments and decommitments.

Member States may use these amounts under the Investment for growth and jobs goal from the European Regional Development Fund (ERDF) or the European Social Fund (ESF) to support operations fostering crisis repair in the context of the COVID-19 pandemic in the regions whose economy and jobs have been more hardly hit and preparing a green, digital and resilient recovery of their economies, or to increase the allocation for programmes supported by the Fund for European Aid to the most deprived (FEAD).

In order to allow the targeting of these resources to the geographic areas where they are most needed, as an exceptional measure and without prejudice to the general rules for allocating Structural Funds resources, the additional amounts are not to be broken down per category of region. However, Member States are expected to take into account the different regional needs and development levels so that focus is maintained on less developed regions, in line with the objectives of economic, social and territorial cohesion. Member States should also

¹ For activities such as the monitoring, the implementation, including audit and financial management, participation to the closure process of the programmes, financed by administrative expenditure, commitments might be made until 2025.

involve local and regional authorities, as well as relevant bodies representing civil society, in accordance with the partnership principle.

In addition, a new cross-cutting thematic objective “Fostering crisis repair in the context of the COVID-19 pandemic and preparing a green digital and resilient recovery of the economy” will be made available for the purposes of their implementation to allow for a simple programming process and the widest possible scope. This thematic objective will only be available for the programming and implementation of the additional resources. These cannot be combined with any other thematic objective and it shall not be possible to transfer the resources from the “regular” allocation under this new dedicated thematic objective. As country-specific recommendations issued in the context of the European Semester in 2020 identify specific priority areas for frontloading public investment to facilitate economic recovery, Member States are encouraged to take account of these priority areas when programming the additional resources.

In order to allow for a rapid reimbursement and simplified access to the additional resources, it is proposed that 50% of the additional resources for the year 2020 are made available immediately, following the approval of the programme(s) or programme amendment(s) concerned, as initial pre-financing which will only need to be cleared at the closure of the programmes. Member States and regions are encouraged to use this pre-financing to provide advance payments to beneficiaries in order to strengthen their financial liquidity. It is also proposed that annual pre-financing in the years 2021, 2022 and 2023 shall be paid in respect of the additional resources allocated to programmes. Given the need to make sure that these additional resources are deployed rapidly to investments on the ground and take effect in the real economy, it is not proposed to extend the final date of eligibility, which shall remain – also for the additional resources – 31 December 2023 (for expenditure incurred at the level of beneficiaries). Nevertheless, it is clarified that the commitments linked to the additional resources shall be decommitted in accordance with the rules to be followed for the closure of the programmes (i.e. in 2025 following the submission of the necessary documents pursuant to Article 141 CPR).

It is also envisaged that the electronic exchange system used for official exchanges between the Commission and the Member States in accordance with Article 74(4) CPR is adjusted to provide the possibility to Member States to submit requests for operational programmes or for operational programme amendments for the allocation of the additional resources for the years 2020, 2021 and 2022 without any delay. 0.35% of the additional resources need to be allocated to technical assistance at the initiative of the Commission.

In addition, it is also proposed that the additional resources may be used to co-finance eligible expenditure up to a 100% from the EU budget. In order to allow for this possibility, it is necessary that these resources are programmed under one or more new dedicated priority axes or, where appropriate, under a new dedicated operational programme.

It is clarified that thematic concentration requirements, including requirements to allocate a certain share of the ERDF to sustainable urban development, ex ante conditionalities or provisions regarding the performance reserve, the application of the performance framework and communication strategies do not apply to these additional resources. Nevertheless, given the additional support, which may be entirely financed from the EU budget without any national co-financing, it is reasonable to require that Member States and managing authorities inform the general public, potential beneficiaries, beneficiaries, participants and final recipients of financial instruments about the existence and origin of this additional support.

In order to avoid additional administrative burden, but to ensure that experience from the implementation of the additional resources is properly analysed, it is proposed that each Member State benefiting from the additional resources shall prepare one single evaluation assessing the effectiveness, efficiency and impact of these resources. While no common indicators are proposed to be established at EU level, in order to ensure the comparability and the possibility to aggregate at EU level supported outputs, Member States are encouraged to make use of the programme-specific indicators made available by the Commission to track COVID-19 related response measures financed from the Funds.

These exceptional changes shall be without prejudice to the rules that should apply under regular circumstances and shall not set a precedent for the rules applicable to the 2021-2027 programming period.

- **Consistency with other Union policies**

The proposal is limited to targeted amendments necessary for the purposes of establishing rules making available the additional resources and governing their implementation. The proposal is consistent with the overall legal framework established for the ESI Funds and is limited to a targeted amendment of Regulation (EU) No 1303/2013. The proposal complements the recent amendments² introducing specific measures to mobilise investments in the health care systems of the Member States and in other sectors of their economies in response to the COVID-19 pandemic; and the specific measures to provide exceptional flexibility for the use of the ESI Funds in response to the COVID-19 outbreak (Coronavirus Response Investment Initiative) as well as all other measures aimed at addressing the current unprecedented situation. The measures are consistent with the Commission's proposal for a European Recovery Instrument and proposal for a MFF revision.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

The proposal is based on Articles 177 and 322 of the Treaty on the Functioning of the European Union.

- **Subsidiarity**

The proposal does not modify the delivery mode of Structural Funds' programmes, which remains under shared management.

Shared management is underpinned by the subsidiarity principle, as the Commission delegates strategic programming and implementation tasks to Member States and regions. It also limits EU action to what is necessary to achieve its objectives as laid down in the Treaties.

² Regulation (EU) 2020/558 of the European Parliament and of the Council of 23 April 2020 amending Regulations (EU) No 1301/2013 and (EU) No 1303/2013 as regards specific measures to provide exceptional flexibility for the use of the European Structural and Investments Funds in response to the COVID-19 outbreak, (OJ L 130, 23.4.2020, p. 1).
Regulation (EU) 2020/460 of the European Parliament and of the Council of 30 March 2020 amending Regulations (EU) No 1301/2013, (EU) No 1303/2013 and (EU) No 508/2014 as regards specific measures to mobilise investments in the healthcare systems of Member States and in other sectors of their economies in response to the COVID-19 outbreak (Coronavirus Response Investment Initiative) (OJ L99, 31.3.2020, p. 5).

The proposal aims to allow for making available additional resources and clarify the rules governing the use of those resources in the context of programmes under the current programming period.

- **Proportionality**

The proposal is limited to and targeted at setting out the necessary rules to be followed to make the additional resources available. Those rules do not go beyond what is necessary to make additional resources available and set out the rules applicable for the implementation of those resources.

- **Choice of the instrument**

The choice of instrument is a Regulation of the European Parliament and of the Council, in accordance with the ordinary legislative procedure as set out in Article 177 of the Treaty.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

N/A

- **Stakeholder consultations**

There was no consultation of external stakeholders. However, the proposal follows extensive consultations with Member States and the European Parliament over recent weeks, and takes account of the more than 400 questions received from national authorities concerning their handling of crisis response measures through the Coronavirus Response Investment Initiative Task Force.

- **Collection and use of expertise**

N/A

- **Impact assessment**

An impact assessment has been carried out to prepare the proposals for Regulation (EU) No 1303/2013. These limited and targeted changes do not require a separate impact assessment given that they only relate to setting out the rules applicable to the additional resources made available in the context of the COVID-19 pandemic.

- **Regulatory fitness and simplification**

N/A

- **Fundamental rights**

N/A

4. BUDGETARY IMPLICATIONS

The proposal will lead to additional commitments in the year 2020, financed from an increase of the ceiling of the 2014-2020 Multiannual Financial Framework. It will also lead to additional commitments for the years 2021 and 2022, financed from external assigned revenues. It will trigger additional payments in the years 2020 to 2025.

5. OTHER ELEMENTS

- **Detailed explanation of the specific provisions of the proposal**

It is proposed to amend Regulation (EU) No 1303/2013 (the Common Provisions Regulation) to ensure that exceptional additional resources are made available for Member States from the Structural Funds to provide assistance for fostering crisis repair in the context of the COVID-19 pandemic for the geographical areas of Europe whose economy and jobs have been harder hit and preparing a green, digital and resilient recovery of the economy.

It is proposed that the additional resources are made available for budgetary commitment from the Structural Funds under the Investment for growth and jobs goal, for the years 2020, 2021 and 2022. The additional resources for 2020 stem from an increase of the resources for economic, social and territorial cohesion in the multiannual financial framework for 2014-2020 and constitute additional global resources for the ERDF and the ESF for the current period. The additional resources for 2021 and 2022 constitute external assigned revenue stemming from the [European Recovery Instrument]. The Commission will be empowered to set out in an implementing decision the breakdown of the totality of the additional resources for each Member State for the years 2020 and 2021 on the basis of the allocation criteria based on the latest available objective statistical data concerning Member States' relative prosperity and the extent of the effect of the current crisis on their economies and societies. Given the specific vulnerability of the economies and societies of outermost regions, the allocation method should provide for a dedicated additional amount for those regions. In order to reflect the evolving nature of the effects of the crisis, it is proposed that this Commission Implementing Decision is revised in 2021 in order to set out the additional resources for each Member State for the year 2022 on the basis of the same allocation method, using the latest statistical data available by 19 October 2021.

Additional resources need to be broken down between the ERDF and the ESF through the programming of resources without any limitations. Member States shall also have the possibility to use a part of these additional resources for the FEAD. The additional resources will be allocated to one or more dedicated separate priority axes within an existing programme or programmes through a request for amendment of the programme or programmes concerned or to a new dedicated programme through the preparation and submission of a new operational programme.

The additional resources may only be used to support operations fostering crisis repair in the context of the COVID-19 pandemic, or preparing a green, digital and resilient recovery of the economy through investments in operations contributing to the transition towards a digital and green economy under a new thematic objective complementing the thematic objectives set out in Article 9, and technical assistance. The regular CPR rules will apply for the starting date for eligibility of expenditure and the selection of operations receiving support from these additional resources.

It shall be allowed that up to 4% of the additional resources remaining available for programming under the ERDF and the ESF (not including the amounts used to support the FEAD, where applicable) may be allocated to technical assistance either to existing technical assistance priority axes or programmes receiving financing from the ERDF or the ESF, or to one or more newly created technical assistance priority axes.

The additional resources not allocated to technical assistance and the FEAD shall exclusively support operations both from the ERDF and the ESF under the new thematic objective

“Fostering crisis repair in the context of the COVID-19 pandemic and preparing a green, digital and resilient recovery of the economy”. For the purposes of programming and implementation, this thematic objective shall also constitute a single investment priority.

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

For the ESF, the additional resources shall primarily be used to support job maintenance, including through short-time work schemes and support to 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.

50% of the additional resources for the year 2020 will be paid as initial pre-financing to the programmes concerned. That initial pre-financing needs to be totally cleared from the Commission accounts not later than when the programme is closed. The additional resources will also be taken into account for the purposes of calculating the amount of the annual pre-financing to be paid in accordance with the standard rules in 2021, 2022 and 2023.

By way of derogation from normal co-financing requirements, it should be allowed that priority axes receiving support from the additional resources programmed under the newly established dedicated thematic objective are co-financed from the Funds up to 100%.

Requests for the amendment of an existing operational programme to accommodate the additional resources submitted by a Member State have to be duly justified and will in particular set out expected impact of the changes to the programme on fostering crisis repair in the context of the COVID-19 pandemic or preparing a green, digital and resilient recovery of the economy.

Where a dedicated operational programme is established, the justification needs to explain the expected impact of the changes to the programme on fostering crisis repair in the context of the COVID-19 pandemic or preparing a green, digital and resilient recovery of the economy. Where a dedicated operational programme is established, only designated programme authorities of on-going programmes may be identified by the Member States.

It is necessary to set out that Member States ensure that at least one evaluation is carried out by 31 December 2024 to assess the effectiveness, efficiency and impact of the additional resources as well as how they contributed to achieving the goals of the new dedicated thematic objective. In addition, it is also necessary to ensure that Member States and managing authorities while carrying out their responsibilities linked to information, communication and visibility, should use all reasonable means to ensure that potential beneficiaries, beneficiaries, participants, final recipients of financial instruments and the general public are aware of the existence, volume and additional support stemming from the additional resources. For the purposes of those requirements, it is necessary to set out that the reference to the Funds is complemented or replaced by a reference to the [“REACT-EU”].

Finally, it is necessary to clarify that provisions concerning the requirements on thematic concentration, ex ante conditionalities, the performance reserve and application of the performance framework as well as the need to prepare a communication strategy do not apply to the additional resources.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulation (EU) No 1303/2013 as regards exceptional additional resources and implementing arrangements under the Investment for growth and jobs goal to provide assistance for fostering crisis repair in the context of the COVID-19 pandemic and preparing a green, digital and resilient recovery of the economy (REACT-EU)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 177 and 322(1)(a) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee³,

Having regard to the opinion of the Committee of the Regions⁴,

Having regard to the opinion of the Court of Auditors,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) Member States have been affected by the crisis due to the consequences of the COVID-19 pandemic in an unprecedented manner. The crisis hampers growth in Member States, which in turn aggravates the serious liquidity shortages due to the sudden and important increase in public investments needed in their health systems and other sectors of their economies. This has created an exceptional situation which needs to be addressed with specific measures.
- (2) In order to respond to the impact of the crisis, Regulations (EU) No 1303/2013 and (EU) No 1301/2013 were amended on 30 March 2020 to allow more flexibility in the implementation of the operational programmes supported by the European Regional Development Fund ('ERDF'), the European Social Fund ('ESF') and the Cohesion Fund (the 'Funds') and by the European Maritime and Fisheries Fund ('EMFF'). However, as the serious negative effects on Union economies and societies worsened, both Regulations were amended again on 23 April 2020 to provide exceptional additional flexibility to enable the Member States to concentrate on the necessary response to the unprecedented crisis by enhancing the possibility to mobilise non-utilised support from the Funds and by simplifying procedural requirements linked to programme implementation and audits.
- (3) In order to redress huge shocks to the economy stemming from the exceptional restrictions put in place by Member States to contain the COVID-19 spreading and the

³ OJ C , , p. .

⁴ OJ C , , p. .

risks of an asymmetric recovery stemming from the different national means available in different Member States resulting in serious impacts on the functioning of the Internal Market, the European Council endorsed on 23 April 2020 the “Roadmap for recovery” with a strong investment component, called for the establishment of the European Recovery Fund and mandated the Commission to analyse the needs so that the resources would be targeted towards the sectors and geographical parts of the Union most affected, while clarifying also the link with the Multiannual Financial Framework for 2021-2027.

- (4) In accordance with Regulation [European Recovery Instrument] and within the limits of resources allocated therein, recovery and resilience measures under the European Investment and Structural Funds should be carried out to address the unprecedented impact of the COVID-19 crisis. Such additional resources should be used to ensure compliance with the time limits provided for in Regulation [ERI]. Moreover, additional resources for economic, social and territorial cohesion should be made available through a revision of the multiannual financial framework for 2014-2020.
- (5) An additional exceptional amount of EUR 58 272 800 000 (in current prices) for budgetary commitment from the Structural Funds under the Investment for growth and jobs goal, for the years 2020, 2021 and 2022 should be made available to support Member States and regions most impacted in crisis repair in the context of the COVID-19 pandemic or preparing a green, digital and resilient recovery of the economy, with a view to deploying resources quickly to the real economy through the existing operational programmes. Resources for 2020 stem from an increase in the resources available for economic, social and territorial cohesion in the multiannual financial framework for 2014-2020 whereas resources for 2021 and 2022 stem from the European Union Recovery Instrument. Part of the additional resources should be allocated to technical assistance at the initiative of the Commission. The Commission should set out the breakdown of the remaining additional resources for each Member State on the basis of an allocation method based on the latest available objective statistical data concerning Member States’ relative prosperity and the extent of the effect of the current crisis on their economies and societies. The allocation method should include a dedicated additional amount for the outermost regions given the specific vulnerability of their economies and societies. In order to reflect the evolving nature of the effects of the crisis, the breakdown should be revised in 2021 on the basis of the same allocation method using the latest statistical data available by 19 October 2021 to distribute the 2022 tranche of the additional resources.
- (6) Horizontal financial rules adopted by the European Parliament and the Council on the basis of Article 322 of the Treaty on the Functioning of the European Union apply to this Regulation. These rules are laid down in the Financial Regulation and determine in particular the procedure for establishing and implementing the budget through grants, procurement, prizes, indirect implementation, and provide for checks on the responsibility of financial actors. Rules adopted on the basis of Article 322 TFEU also concern the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States, as the respect for the rule of law is an essential precondition for sound financial management and effective EU funding.
- (7) In order to allow maximum flexibility to Member States for tailoring crisis repair actions in the context of the COVID-19 pandemic or preparing a green, digital and resilient recovery of the economy, allocations should be established by the Commission at Member State level. Furthermore, the possibility for using any additional resources to support aid for the most deprived should also be provided for.

In addition, it is necessary to establish ceilings concerning the allocation to technical assistance at the initiative of the Member States while allowing maximum flexibility to the Member States as to its allocation within operational programmes supported by the ERDF or the ESF. It should be clarified that there is no need to respect the ESF minimum share for the additional resources. Taking account of the expected quick spending of the additional resources, the commitments linked to those additional resources should only be decommitted at the closure of the operational programmes.

- (8) Possibilities for financial transfers under the ‘Investment for growth and jobs’ goal between the ERDF and the ESF should also be introduced for the additional resources, as is already the case for the part of the global resources available for programming in 2020 in accordance with Article 25a of Regulation (EU) No 1303/2013. Such transfers should affect neither the resources available under the European territorial cooperation goal nor the specific allocation for the Youth Employment Initiative.
- (9) In order to complement the actions already available under the scope of support of the ERDF, as extended by Regulations (EU) 2020/460 and (EU) 2020/558 of the European Parliament and of the Council⁵, Member States should continue to be allowed to use the additional resources primarily for investments in products and services for health services, for providing support in the form of working capital or investment support to SMEs, in operations contributing to the transition towards a digital and green economy, infrastructure providing basic services to citizens or economic support measures for those regions most dependent on sectors most affected by the crisis. Technical assistance should also be supported. It is appropriate that the additional resources are focused exclusively under the new thematic objective “Fostering crisis repair in the context of the COVID-19 pandemic and preparing a green, digital and resilient recovery of the economy”, which should also constitute a single investment priority, to allow for simplified programming and implementation of the additional resources.
- (10) For the ESF, Member States should primarily use the additional resources to support job maintenance, including through short-time work schemes and support to self-employed, job creation, in particular for people in vulnerable situations, support to youth employment measures, education and training, skills development and to enhance access to social services of general interest, including for children. It should be clarified that in the present exceptional circumstances support to short-time work schemes for employees and the self-employed in the context of the COVID-19 pandemic can be provided even when that support is not combined with active labour market measures, unless the latter are imposed by national law. Union support to those short-time work schemes should be limited in time.
- (11) In order to ensure that Member States have sufficient financial means to swiftly implement crisis repair actions in the context of the COVID-19 pandemic and preparing a green, digital and resilient recovery of the economy, it is necessary to

⁵ Regulation (EU) 2020/460 of the European Parliament and of the Council of 30 March 2020 amending Regulations (EU) No 1301/2013, (EU) No 1303/2013 and (EU) No 508/2014 as regards specific measures to mobilise investments in the healthcare systems of Member States and in other sectors of their economies in response to the COVID-19 outbreak (Coronavirus Response Investment Initiative) (OJ L99, 31.3.2020, p. 5); Regulation (EU) 2020/558 of the European Parliament and of the Council of 23 April 2020 amending Regulations (EU) No 1301/2013 and (EU) No 1303/2013 as regards specific measures to provide exceptional flexibility for the use of the European Structural and Investments Funds in response to the COVID-19 outbreak, (OJ L 130, 23.4.2020, p. 1).

provide a higher level of initial pre-financing payment for the quick implementation of actions supported by the additional resources. The initial pre-financing to be paid should ensure that Member States have the means to arrange for advance payments to beneficiaries where necessary and to reimburse beneficiaries quickly following the submission of payment claims.

- (12) Member States should have the flexibility to allocate the additional resources to new dedicated operational programmes or new priority axes within existing programmes. In order to allow quick implementation, only already designated authorities of existing operational programmes supported by the ERDF, the ESF, or the Cohesion Fund are allowed to be identified for new dedicated operational programmes. An ex ante evaluation by the Member States should not be required and the elements required for the submission of the operational programme to the Commission's approval should be limited.
- (13) With a view to alleviating the burden on public budgets regarding crisis repair in the context of the COVID-19 pandemic and preparing a green, digital and resilient recovery of the economy, Member States should be given the exceptional possibility to request a co-financing rate of up to 100 % to be applied to the separate priority axes of operational programmes providing support from the additional resources.
- (14) In order to enable Member States to deploy the additional resources for crisis repair quickly in the context of the COVID-19 pandemic and preparing a green, digital and resilient recovery of the economy within the current programming period, it is justified to exempt, on an exceptional basis, Member States from the need to comply with ex ante conditionalities and requirements on the performance reserve and application of the performance framework, on thematic concentration, also in relation to the thresholds established for sustainable urban development for the ERDF, and requirements on preparation of a communication strategy for the additional resources. It is nevertheless necessary that Member States carry out at least one evaluation by 31 December 2024 to assess the effectiveness, efficiency and impact of the additional resources as well as how they contributed to achieving the goals of the new dedicated thematic objective. To facilitate the availability of comparable information at Union level, Member States are encouraged to make use of the programme-specific indicators made available by the Commission. In addition, while carrying out their responsibilities linked to information, communication and visibility, Member States and managing authorities should enhance the visibility of the exceptional measures and resources introduced by the Union, in particular by ensuring that potential beneficiaries, beneficiaries, participants, final recipients of financial instruments and the general public are aware of the existence, volume and additional support stemming from the additional resources.
- (15) With a view to allow the targeting of these additional resources to the geographic areas where they are most needed, as an exceptional measure and without prejudice to the general rules for allocating Structural Funds resources, the additional resources allocated to the ERDF and the ESF are not to be broken down per category of region. However, Member States are expected to take into account the different regional needs and development levels in order to ensure that focus is maintained on less developed regions, in accordance with the objectives of economic, social and territorial cohesion set out in Article 173 TFEU. Member States should also involve local and regional authorities, as well as relevant bodies representing civil society, in accordance with the partnership principles.

- (16) In order to facilitate the transfers authorised by the changes introduced under this Regulation, the condition laid down in Article 30(1)(f) of the Financial Regulation regarding the use of appropriations for the same objective should not apply in respect of those transfers.
- (17) Since the objectives of this Regulation, namely to respond to the impact of the public health crisis by introducing flexibility measures in the field of providing support from the European Structural and Investment Funds, cannot be sufficiently achieved by the Member States alone and can therefore, by reason of the scale and effects of the proposed action, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary to achieve those objectives.
- (18) Given the urgency of the situation related to the COVID-19 pandemic, this Regulation should into force on the day following that of its publication in the *Official Journal of the European Union*.
- (19) In view of the COVID-19 pandemic and the urgency to address the associated public health crisis, it is considered necessary to use the exception to the eight-week period referred to in Article 4 of Protocol No 1 on the role of national Parliaments in the European Union, annexed to the Treaty on European Union, to the Treaty on the Functioning of the European Union and to the Treaty establishing the European Atomic Energy Community.
- (20) Regulation (EU) No 1303/2013 should therefore be amended accordingly.
- (21) Article 135(2) of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community⁶ provides that amendments to Council Regulation (EU, Euratom) No 1311/2013⁷ or Council Decision 2014/335/EU, Euratom⁸ that are adopted on or after the date of entry into force of that Agreement shall not apply to the United Kingdom insofar as those amendments have an impact on the United Kingdom's financial obligations. The support under this Regulation for 2020 is financed from an increase of the ceiling of the Multiannual Financial Framework and for 2021 and 2022 from an increase of the own resources ceiling of the Union, which would have an impact on the United Kingdom's financial obligation. Therefore, this Regulation should not apply to and in the United Kingdom,

HAVE ADOPTED THIS REGULATION:

Article 1

Regulation (EU) No 1303/2013 is amended as follows:

1. in Article 91, a new paragraph 1a is inserted:

⁶ OL L 29, 31.1.2020, p. 7.

⁷ Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020 (OJ L 347, 20.12.2013, p. 884).

⁸ Council Decision 2014/335/EU, Euratom of 26 May 2014 on the system of own resources of the European Union (OJ L 168, 7.6.2014, p. 105).

“1a. In addition to the global resources referred to in paragraph 1, additional resources of EUR 5 000 000 000 in current prices shall be made available for economic, social and territorial cohesion for budgetary commitment for 2020, and allocated to the ERDF and the ESF.”;

2. the following Articles 92a and 92b are inserted:

“Article 92a

Resources from the European Union Recovery Instrument

Measures referred to in Article 2 of Regulation [ERI] shall be implemented under the Structural Funds with an amount of EUR 53 272 800 000 in current prices of the amount referred to in Article 3(2)(a)(i) of that Regulation, subject to its Article 4(3), (4) and (8).

These additional resources for 2021 and 2022 shall constitute external assigned revenues in accordance with Article 21(5) of the Financial Regulation.

Article 92b

Exceptional additional resources and implementing arrangements for the Investment for growth and jobs goal to provide assistance for fostering crisis repair in the context of the COVID-19 pandemic and preparing a green, digital and resilient recovery of the economy (REACT-EU)

1. The additional resources referred to in Articles 91(1a) and 92a (‘the additional resources’) shall be made available under the Investment for growth and jobs goal to provide assistance for fostering crisis repair in the context of the COVID-19 pandemic and preparing a green, digital and resilient recovery of the economy (REACT-EU). The additional resources shall be used to implement technical assistance pursuant to paragraph 6 of this Article and the operations implementing the thematic objective in paragraph 10 of this Article.
2. Additional resources shall be made available for budgetary commitment for the years 2020 to 2022 in addition to the global resources set out in Article 91 as follows:
 - 2020: EUR 5 000 000 000;
 - 2021: EUR 42 434 400 000;
 - 2022: EUR 10 820 400 000.

The additional resources for 2020 shall be made available from the additional resources as set out in Article 91(1a).

The additional resources for 2021 and 2022 shall be made available from the additional resources as set out in Article 92a. The additional resources set out in Article 92a shall also support administrative expenditure up to EUR 18 000 000 in current prices.

3. 0.35% of the additional resources shall be allocated to technical assistance at the initiative of the Commission.
4. The Commission shall adopt a decision, by means of implementing acts, setting out the breakdown of the additional resources as appropriations from the Structural Funds for 2020 and 2021 for each Member State in accordance with the criteria and methodology set out in Annex VIIa. That decision shall be revised in 2021 to set out the breakdown of the additional resources for 2022 based on data available by 19 October 2021.

5. By way of derogation from the first subparagraph of Article 76, the budget commitments for the additional resources in respect of each operational programme concerned shall be made for each Fund for the years 2020, 2021 and 2022.

The legal commitment referred to in the second subparagraph of Article 76 for the years 2021 and 2022 shall enter into force as of the date referred to in Article 4(3) of the [ERI Regulation].

The third and fourth subparagraphs of Article 76 shall not apply in respect of the additional resources.

By way of derogation from Article 14(3) of the Financial Regulation, the de-commitment rules set out in Chapter IV of Title IX of Part II and in Article 136 shall apply to the budgetary commitments based on the additional resources referred to in Article 92a. By derogation from Article 12(4)(c) of the Financial Regulation, the additional resources shall not be used for a succeeding programme or action.

By way of derogation from Articles 86(2) and 136(1), the commitments for additional resources shall be decommitted in accordance with the rules to be followed for the closure of the programmes.

Each Member State shall allocate the additional resources available for programming under the ERDF and the ESF to operational programmes.

By way of derogation from Article 92(7), a share of the additional resources may also be proposed to be used to increase the support for the Fund for European Aid to the Most Deprived ('FEAD') before or at the same time as the allocation to the ERDF and the ESF.

Following their initial allocation, the additional resources may, at the request of a Member State for amendment of an operational programme pursuant to Article 30(1), be transferred between the ERDF and the ESF, irrespective of the percentages referred to in points (a), (b) and (c) of Article 92(1).

Article 30(5) shall not be applicable for the additional resources. These resources shall be excluded from the basis of calculation for the purposes of the ceilings established in that paragraph.

For the purposes of the application of point (f) of Article 30(1) of the Financial Regulation, the condition that appropriations are for the same objective shall not apply in respect of these transfers. Transfers can only apply to the ongoing year or to future years in the financial plan.

The requirements laid down in Article 92(4) shall not apply to the initial allocation or their subsequent transfers.

Amounts allocated to the YEI in accordance with Article 92(5) under the Investment for growth and jobs goal shall not be affected.

The additional resources shall be implemented in accordance with the rules of the Fund to which they are allocated or transferred.

6. Up to 4% of the total additional resources under the ERDF and the ESF may be allocated to technical assistance under any existing operational programme supported from the ERDF or the ESF or the new operational programme referred to in paragraph 11.

7. By way of derogation from Article 81(1) and Article 134(1), the initial pre-financing to be paid following the Commission decision adopting an operational programme or approving the amendment to an operational programme for the allocation of the additional resources shall be 50% of the additional resources allocated to programmes for the year 2020 under the new thematic objective referred to in paragraph 10 of this Article.

For the purpose of applying Article 134(2) for the annual pre-financing in the years 2021, 2022 and 2023, the amount of the support from the Funds for the whole programming period to the operational programme shall include the additional resources.

The amount paid as additional initial pre-financing referred to in the first subparagraph shall be totally cleared from the Commission accounts not later than when the operational programme is closed.

8. The additional resources not allocated to technical assistance shall be used under the thematic objective set out in paragraph 10 to support operations fostering crisis repair in the context of the COVID-19 pandemic or preparing a green, digital and resilient recovery of the economy.

Member States may allocate the additional resources either to one or more separate priority axes within an existing operational programme or programmes or to a new operational programme referred to in paragraph 11. By way of derogation from Article 26(1), the programme shall cover the period until 31 December 2022, subject to paragraph 4 above.

For the ERDF, the additional resources shall primarily be used to support investment in products and services for health services, to provide support in the form of working capital or investment support to SMEs, investments contributing to the transition towards a digital and green economy, investments in infrastructure providing basic services to citizens, and economic measures in the regions which are most dependent on sectors most affected by the crisis.

For the ESF, the additional resources shall primarily be used to support job maintenance, including through short-time work schemes and support to self-employed, even when that support is not combined with active labour market measures, unless the latter are imposed by national law. The additional resources shall also support job creation, in particular for people in vulnerable situations, youth employment measures, education and training, skills development, in particular to support the twin green and digital transitions, and to enhance access to social services of general interest, including for children.

9. With the exception of technical assistance referred to in paragraph 6 and of the additional resources used for the FEAD referred to in the seventh subparagraph of paragraph 5, the additional resources shall support operations under the new thematic objective “Fostering crisis repair in the context of the COVID-19 pandemic and preparing a green, digital and resilient recovery of the economy”, complementing the thematic objectives set out in Article 9.

The thematic objective referred to in the first subparagraph shall exclusively be available for the programming of the additional resources. By way of derogation from points (b), (c) and (d) of Article 96(1), it shall not be combined with other investment priorities.

The thematic objective referred to in the first subparagraph shall also constitute the single investment priority for the programming and implementation of the additional resources from the ERDF and the ESF.

Where one or more separate priority axes are established corresponding to the thematic objective referred to in the first subparagraph within an existing operational programme, the elements listed in points (b)(v) and (vii) of Article 96(2) shall not be required for the description of the priority axis in the revised operational programme.

The revised financing plan set out in Article 96(2)(d) shall set out the allocation of the additional resources for the years 2020, 2021 and, where applicable, for 2022 without identifying amounts for the performance reserve and with no breakdown per category of regions.

By way of derogation from Article 30(1), requests for the amendment of a programme submitted by a Member State shall be duly justified and shall in particular set out expected impact of the changes to the programme on fostering crisis repair in the context of the COVID-19 pandemic and preparing a green, digital and resilient recovery of the economy. They shall be accompanied by the revised programme.

10. By way of derogation from Article 26(4), a new dedicated operational programme may be drawn up by Member States under the new thematic objective referred to in paragraph 10. No ex ante evaluation as set out in Article 55 shall be required.

By way of derogation from Article 96(2)(a), where such a new operational programme is established, the justification shall set out the expected impact of the operational programme on fostering crisis repair in the context of the COVID-19 pandemic and preparing a green, digital and resilient recovery of the economy.

Where such a new operational programme is established, only authorities designated under on-going operational programmes supported by the ERDF, the ESF and the Cohesion Fund may be identified by the Member States for the purposes of point (a) of Article 96(5).

The elements set out in point (b)(v) and (vii) of the first subparagraph of paragraph 2, in paragraph 4, in point (b) and (c) of paragraph 6 and in paragraph 7 of Article 96 shall not be required for such new operational programme. The elements set out in Article 96(3) shall only be required where corresponding support is provided.

11. By way of derogation from the first and second subparagraphs of Article 120(3), a co-financing rate of up to 100% may be applied to the priority axis or axes supported by the additional resources programmed under the thematic objective referred to in paragraph 10 of this Article.

By way of derogation from Article 56(3) and 114(2), the Member States shall ensure that by 31 December 2024 at least one evaluation on the use of the additional resources is carried out to assess their effectiveness, efficiency, impact and how they contributed to the thematic objective referred to in paragraph 10 of this Article.

12. The following provisions shall not apply to the additional resources:

- (a) requirements on thematic concentration including thresholds established for sustainable urban development as set out in this Regulation or the Fund-specific rules, by way of derogation from Article 18;
 - (b) ex ante conditionalities, by way of derogation from Article 19 and the Fund-specific rules;
 - (c) requirements on the performance reserve and application of the performance framework, by way of derogation from Articles 20 and 22 respectively;
 - (d) the derogation provided in the second sub-paragraph of Article 65(10) setting the eligibility date of 1 February 2020 for operations for fostering crisis response capacities in the context of the COVID-19 outbreak;
 - (e) the derogation provided in Article 25a(7) for the selection of operations fostering crisis response capacities in the context of the COVID-19 outbreak as referred to in the second sub-paragraph of Article 65(10);
 - (f) requirements to prepare a communication strategy, by way of derogation from Article 116 and point (a) of Article 115(1).
13. While carrying out their responsibilities linked to information, communication and visibility in accordance with Article 115(1) and (3) and with Annex XII, Member States and managing authorities shall ensure that potential beneficiaries, beneficiaries, participants, final recipients of financial instruments and the general public are aware of the existence, volume and additional support stemming from the additional resources.

The reference to the “Fund”, “Funds” or “ESI Funds” in Section 2.2 of Annex XII shall be either replaced or complemented by a reference to [REACT-EU], where financial support is provided to operations from the additional resources.”;

3. in Article 154, the following subparagraph is added:

“Article 91(1a), Article 92a and Article 92b shall not apply to and in the United Kingdom. References to Member States in those provisions shall be understood as not including the United Kingdom.”

4. A new Annex VIIa is added.

Article 2

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation (EU) No 1303/2013 as regards exceptional additional resources and implementing arrangements under the Investment for growth and jobs goal to provide assistance for fostering crisis repair in the context of the COVID-19 outbreak and preparing a green, digital and resilient recovery of the economy

1.2. Policy area(s) concerned (*Programme cluster*)

4 Employment, Social affairs and Inclusion (2020) – 7 Investing in People, Social Cohesion and Values (2021-2027)

13 Regional and Urban Policy (2020) – 5 Regional Development and Cohesion (2021-2027)

1.3. The proposal/initiative relates to:

a new action

a new action following a pilot project/preparatory action⁹

the extension of an existing action

a merger or redirection of one or more actions towards another/a new action

1.4. Grounds for the proposal/initiative

1.4.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative

It is proposed to amend Regulation (EU) No 1303/2013 (the Common Provisions Regulation) to ensure that exceptional additional resources are made available for Member States from the Structural Funds to provide assistance for fostering crisis repair in the context of the COVID-19 pandemic for the geographical areas of Europe whose economy and jobs has been more hardly hit and preparing the recovery of the economy. It is proposed that additional resources are made available for budgetary commitment from the Structural Funds under the Investment for growth and jobs goal, for the years 2020, 2021 and 2022¹⁰.

1.4.2. Added value of Union involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this point 'added value of Union involvement' is the value resulting from Union intervention which is additional to the value that would have been otherwise created by Member States alone.

Since the start of the COVID-19 outbreak, the Commission has tabled a number of proposals to ensure that all available funding in the 2014-2020 programmes financed

⁹ As referred to in Article 58(2)(a) or (b) of the Financial Regulation.

¹⁰ For activities such as the monitoring the implementation, including audit and financial management, participation to the closure process of the programmes, financed by administrative expenditure, commitments might be made until 2025.

from the European Structural and Investment Funds (ESI Funds) can be mobilised to provide immediate responses to the direct and indirect effects of the crisis. These proposals secured the possibility to mobilise available funding to address the needs stemming from increased pressure on health care systems as well as to provide support to employers and employees to weather the extraordinary situation. Member States and regions were provided with immediate liquidity and flexibility to allow them to make sure support from the Funds can be targeted where support was most needed. The possibility to make use of a 100% Union financing for these measures for the accounting year starting in 2020 will contribute to alleviating the burden on their public finances.

The spread of the coronavirus across countries has prompted many governments to introduce unprecedented measures to contain the pandemic such as businesses being shut down temporarily or widespread restrictions on travel and mobility, and led to increased uncertainty and turmoil on the financial markets. This in turn may lead to sharp decline in the level of output in many economies with severe social consequences. It will pose significant challenges for public finances and debt management in the years to come, which in turn may limit public investment necessary for the economic recovery. In addition, national and regional capacities to address the effects of the crisis, differ between Member States and regions due to the diverse economic structures and fiscal positions. If left unaddressed, such differences may result in an asymmetric recovery and leading to increased regional disparities, which in turn can undermine the Internal Market, the financial stability of the Eurozone and our Union as a whole.

1.4.3. *Lessons learned from similar experiences in the past*

1.4.4. *Compatibility and possible synergy with other appropriate instruments*

The proposal is limited to targeted amendments necessary for the purposes of establishing rules making available the additional resources and governing their implementation. The proposal is consistent with the overall legal framework established for the ESI Funds and is limited to a targeted amendment of Regulation (EU) No 1303/2013. The proposal complements the recent amendments introducing specific measures to mobilise investments in the health care systems of the Member States and in other sectors of their economies in response to the COVID-19 pandemic; and the specific measures to provide exceptional flexibility for the use of the ESI Funds in response to the COVID-19 outbreak (Coronavirus Response Investment Initiative) as well as all other measures aimed at addressing the current unprecedented situation. The measures are consistent with the Commission's proposal for the European Recovery Instrument and proposal for a MFF revision.

1.5. Duration and financial impact

limited duration

- in effect from [DD/MM]YYYY to [DD/MM]YYYY
- Financial impact from 2020 to 2022 for commitment appropriations¹¹ and from 2020 to 2025 for payment appropriations.

unlimited duration

- Implementation with a start-up period from 2021 onwards,
- followed by full-scale operation.

1.6. Management mode(s) planned¹²

Direct management by the Commission (for 0.35% of the allocation related to technical assistance)

- by its departments, including by its staff in the Union delegations;
- by the executive agencies

Shared management with the Member States

Indirect management by entrusting budget implementation tasks to:

- third countries or the bodies they have designated;
- international organisations and their agencies (to be specified);
- the EIB and the European Investment Fund;
- bodies referred to in Articles 70 and 71 of the Financial Regulation;
- public law bodies;
- bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;
- bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;
- persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.

¹¹ For activities such as the monitoring the implementation, including audit and financial management, participation to the closure process of the programmes, financed by administrative expenditure, commitments might be made until 2025.

¹² Details of management modes and references to the Financial Regulation may be found on the BudgWeb site:
<https://myintracomm.ec.europa.eu/budgweb/EN/man/budgmanag/Pages/budgmanag.aspx>

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

The proposal is limited to and targeted at setting out the necessary rules to be followed to make the additional resources available. Those rules do not go beyond what is necessary to make additional resources available and sets out the rules applicable for the implementation of those resources.

2.2. Management and control system(s)

The proposal is limited to and targeted at setting out the necessary rules to be followed to make the additional resources available. Those rules do not go beyond what is necessary to make additional resources available and sets out the rules applicable for the implementation of those resources. Should Member States decide to establish new operational programmes financed from the additional resources, only authorities already designated under on-going programmes supported by the ERDF, ESF or CF may be used.

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures, e.g. from the Anti-Fraud Strategy.

The proposal is limited to and targeted at setting out the necessary rules to be followed to make the additional resources available. Those rules do not go beyond what is necessary to make additional resources available and sets out the rules applicable for the implementation of those resources.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading of the multiannual financial framework and new expenditure budget line(s) proposed

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
			from EFTA countries ¹⁴	from candidate countries ¹⁵	from third countries	within the meaning of Article [21(2)(b)] of the Financial Regulation
	1b Smart and Inclusive Growth: - Economic, Social and Territorial Cohesion (2014-2020) / 2 Cohesion and Values (2021-2027)	Diff./Non-diff. ¹³				
1b/2	04 01 04 01 Support expenditure for European Social Fund and non-operational technical assistance	Non-diff.	NO	NO	NO	NO
1b/2	13 01 04 01 Support expenditure for European Regional Development Fund (ERDF)	Non-diff.	NO	NO	NO	NO
1b/2	04.02.XX – ESF financed from	Diff.	NO	NO	NO	NO

¹³ Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

¹⁴ EFTA: European Free Trade Association.

¹⁵ Candidate countries and, where applicable, potential candidates from the Western Balkans.

	REACT EU (2020)					
1b/2	13.03.XX – ERDF financed from REACT EU (2020)	Diff.	NO	NO	NO	NO
1b/2	04 02 63 01 European Social Fund — Operational technical assistance	Diff.	NO	NO	NO	NO
1b/2	13 03 65 01 European Regional Development Fund (ERDF) — Operational technical assistance	Diff.	NO	NO	NO	NO
1b/2	04 01 04 05 - Support expenditure for the Fund for European Aid to the Most Deprived	Non-diff.	NO	NO	NO	NO
1b/2	04 06 02 - Operational technical assistance (FEAD)	Diff.	NO	NO	NO	NO
1b/2	04 06 XX – FEAD financed from REACT EU	Diff.	NO	NO	NO	NO

3.2. Estimated impact on expenditure

3.2.1. Summary of estimated impact on expenditure

EUR million (to three decimal places)

Heading of multiannual financial framework	1b
	Smart and Inclusive Growth (2014-2020): - Economic, Social and Territorial Cohesion

The total annual breakdown of commitment appropriations under Regulation (EU) No 1303/2013 is affected for the year 2020, and it is extended also to the years 2021 and 2022¹⁶.

The proposal will lead to additional commitments in the year 2020, financed from an increase of the ceiling of the 2014-2020 Multiannual Financial Framework. It will also lead to additional commitments for the years 2021 and 2022, financed from external assigned revenues. The additional commitments in years 2021 and 2022 as well as payments in the years 2021 to 2025 are financed by external assigned revenues. All amounts will be available as external assigned revenues, within the meaning of Article 21(5) of the Financial Regulation stemming from the borrowing operations of the Union as set out in [ERI regulation]. Out of the external assigned revenues, up to EUR 18 000 000 may be dedicated to administrative expenditure, including external staff costs

The indicative breakdown of the additional expenditure for the year 2020 is as follows:

	2020	2021	2022	2023	2024	2025	Total
REACT-EU additional operational expenditure for year 2020							
Commitments	5 000,000						5 000,000
Payments	2 500,000	275,000	475,000	1 700,000		50,000	5 000,000

The indicative breakdown of the expenditure from external assigned revenue is as follows:

	2021	2022	2023	2024	2025	TOTAL
Operational expenditure financed from ERI	(1)	10 820,400				53 254,800

¹⁶ For activities such as the monitoring, the implementation, including audit and financial management, participation to the closure process of the programmes, financed by administrative expenditure, commitments might be made until 2025.

external assigned revenues	Payments	(2)	2 716,139	10 067,880	15 442, 79	22 150,126	2 878, 76	53 254,800
Administrative support expenditure financed from ERI external assigned revenues	Commitments = Payments	(3)	3,600	3,600	3,600	3,600	3,600	18,000
Total expenditure financed from ERI external assigned revenues	Commitments	=1+3	42 438,000	10 824,000	3,600	3,600	3,600	53 272,800
	Payments	=2+3	2 719,739	10 071,480	15 445,879	22 153, 26	2 881,976	53 272,800

Heading of multiannual financial framework	7	‘Administrative expenditure’
---	----------	-------------------------------------

EUR million (to three decimal places)

	2021	2022	2023	2024	2025	2026	2027	Post 2027	TOTAL
Human resources	0,750	0,750	0,750						2,250
Other administrative expenditure									
TOTAL appropriations under HEADING 7 of the multiannual financial framework	0,750	0,750	0,750						2,250
(Total commitments = Total payments)									

3.2.2. Summary of estimated impact on appropriations of an administrative nature

- The proposal/initiative does not require the use of appropriations of an administrative nature
- The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

Years	2020	2021	2022	2023	2024	2025	TOTAL
-------	------	------	------	------	------	------	-------

HEADING 7 of the multiannual financial framework							
Human resources		0,750	0,750	0,750			2,250
Other administrative expenditure							
Subtotal HEADING 7 of the multiannual financial framework		0,750	0,750	0,750			2,250

Outside HEADING 7¹⁷ of the multiannual financial framework							
Human resources		2,800	2,800	2,800	3,00	3,200	14,800
Other expenditure of an administrative nature		0,800	0,800	0,800	0,400	0,400	3,200
Subtotal outside HEADING 7 of the multiannual financial framework		3,600	3,600	3,600	3,600	3,600	18,000

TOTAL		4,350	4,350	4,350	3,600	3,600	20,250
--------------	--	-------	-------	-------	-------	-------	---------------

The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

¹⁷ Assigned revenue

3.2.2.1. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources.
- The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full time equivalent units

Years	2020	2021	2022	2023	2024	2025	2026
• Establishment plan posts (officials and temporary staff)							
Headquarters and Commission's Representation Offices		5	5	5			
Delegations							
Research							
• External staff (in Full Time Equivalent unit: FTE) - AC, AL, END, INT and JED ¹⁸							
Heading 7							
Financed from HEADING 7 of the multiannual financial framework	- at Headquarters						
	- in Delegations						
Financed from the envelope of the programme ¹⁹	- at Headquarters						
	- in Delegations						
Research							
Other (assigned revenue)		35	35	35	40	40	
TOTAL		40	40	40	40	40	

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints. Additional external staff and will be financed solely from assigned revenues.

Description of tasks to be carried out:

Officials and temporary staff	
External staff	Contract agents for supporting the negotiation of the new/revised programmes, monitoring the implementation, including audit and financial management, participation to the closure process of the programmes

¹⁸ AC= Contract Staff; AL = Local Staff; END = Seconded National Expert; INT = agency staff; JPD= Junior Professionals in Delegations.

¹⁹ Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

3.3. Estimated impact on revenue

- The proposal/initiative has no financial impact on revenue.
- The proposal/initiative has the following financial impact:
 - on own resources
 - on other revenue

please indicate, if the revenue is assigned to expenditure lines

EUR million (to three decimal places)

Budget revenue line:	Impact of the proposal/initiative						
	2021	2022	2023	2024	2025	2026	2027
Article							

For assigned revenue, specify the budget expenditure line(s) affected.

Other remarks (e.g. method/formula used for calculating the impact on revenue or any other information).



Brussels, 28.5.2020
COM(2020) 451 final

ANNEX

ANNEX

to the

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulation (EU) No 1303/2013 as regards exceptional additional resources and implementing arrangements under the Investment for growth and jobs goal to provide assistance for fostering crisis repair in the context of the COVID-19 pandemic and preparing a green, digital and resilient recovery of the economy (REACT-EU)

ANNEX

A new Annex VIIa is added :

“ANNEX VIIa

Methodology on the allocation of exceptional additional resources for the Investment for growth and jobs goal to provide assistance for fostering crisis repair in the context of the COVID-19 pandemic and preparing a green, digital and resilient recovery of the economy per Member State – Article 92b(4)

Allocation method for the exceptional additional resources

The exceptional additional resources shall be distributed between the Member States according to the following methodology:

1. Each Member State’s provisional share from the additional resources is determined as the weighted sum of the shares determined on the basis of the following criteria, weighted as indicated:
 - a) A factor of GDP (weighting of 2/3) obtained by applying the following steps:
 - (i) share of each Member State of the total loss of real seasonally adjusted GDP expressed in EUR between the first semester of 2019 and the end of the applicable reference period for all Member States considered;
 - (ii) adjustment of the shares so obtained by dividing them with the Member State’s GNI per capita expressed as a percentage of the average GNI per capita of the EU-27 (average expressed as 100%).
 - b) A factor of unemployment (weighting of 2/9) expressed as the weighted average of:
 - (i) the share of the Member State in the total number of unemployed (weighting of 3/4) for all Member States considered in January 2020, as well as
 - (ii) the share of the Member State in the total increase in the number of persons unemployed (weighting of 1/4) between January 2020 and the end of the applicable reference period for all Member States considered.
 - c) A factor of youth unemployment (weighting of 1/9) expressed as the average of:
 - (i) the share of the Member State in the total number of young persons unemployed (weighting of 3/4) for all Member States considered in January 2020, as well as
 - (ii) the share of the Member State in the total increase in the number of young persons unemployed (weighting of 1/4) between January 2020 and the applicable reference period for all Member States considered.

In case the Member State’s real seasonally adjusted GDP expressed in EUR for the applicable reference period is higher than in the first semester of 2019, that Member State’s data shall be excluded from the calculations in indent (i) of point a).

In case the number of people unemployed (age group 15 to 74) or young people unemployed (age group 15 to 24) in the Member State for the applicable reference period is lower than in January 2020, that Member State’s data shall be excluded from the calculations in indent (i) of point b) and indent (i) of point c).

2. The rules described in paragraph 1 shall not result in allocations per Member State for the whole period 2020 to 2022 higher than
 - a) for Member States whose average GNI per capita (in PPS) for the period 2015-2017 is above 109% of the EU-27 average: 0.07% of their real GDP of 2019;
 - b) for Member States whose average GNI per capita (in PPS) for the period 2015-2017 is equal to or below 90% of the EU-27 average: 2.60% of their real GDP of 2019;
 - c) for Member States whose average GNI per capita (in PPS) for the period 2015-2017 is above 90% and equal to or below 109% of the EU-27 average: the percentage is obtained through a linear interpolation between 0.07% and 2.60% of their real GDP of 2019 leading to a proportional reduction of the capping percentage in line with the increase in prosperity.

The amounts exceeding the level set out in points a) to c) per Member State are redistributed proportionally to the allocations of all other Member States whose average GNI per capita (in PPS) is under 100% of the EU-27 average. The GNI per capita (in PPS) for the period 2015-2017 is the one used for cohesion policy in the MFF 2021-2027 negotiations.

3. For the purposes of calculating the distribution of the exceptional additional resources for the years 2020 and 2021:
 - a) For GDP the reference period shall be: the first semester of 2020;
 - b) For the number of people unemployed and the number of young people unemployed the reference period shall be: the average of June to August 2020.
 - c) The maximum allocation resulting from the application of paragraph 2 is multiplied by the share of the additional resources for the years 2020 and 2021 in the total additional resources for the years 2020, 2021 and 2022.

Before the application of the method described in paragraphs 1 and 2 concerning the additional resources for the year 2020, an amount corresponding to an aid intensity of EUR 30 per inhabitant will be allocated to the outermost NUTS level 2 regions from the allocation. That allocation will be distributed per region and Member State in a manner proportional to the total population of those regions. The remaining amount for the year 2020 will be distributed among Member States in accordance with the method described in paragraphs 1 and 2.

4. For the purposes of calculating the distribution of the exceptional additional resources for the year 2022:
 - a) For GDP the reference period shall be: the first semester of 2021;
 - b) For the number of people unemployed and the number of young people unemployed the reference period shall be: the average of June to August 2021.
 - c) The maximum allocation resulting from the application of paragraph 2 is multiplied by the share of the additional resources for the year 2022 in the total additional resources for the years 2020, 2021 and 2022.”.