

**EN**

**ECO/517**

**COVID-19: European Structural and Investment Funds - Exceptional flexibility**

**POSITION PAPER**

European Economic and Social Committee

**Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 1303/2013 and Regulation (EU) No 1301/2013 as regards specific measures to provide exceptional flexibility for the use of the European Structural and Investment Funds in response to the COVID-19 outbreak**[COM(2020) 138 final – 2020/0054 (COD)]

Rapporteur-general: Alberto Mazzola

|  |  |
| --- | --- |
| Document date | 15/04/2020 |

|  |  |
| --- | --- |
| Referral | Council of the European Union, 08/04/2020European Parliament, 16/04/2020 |
| Legal basis | Articles 177, 178 and 304 of the Treaty on the Functioning of the European Union |
| Section responsible | Economic and Monetary Union and Economic and Social Cohesion |

# **Conclusions and recommendations**

## The evident cross-border dimension of COVID-19 (coronavirus) prevents any unilateral, national action from being truly effective and requires comprehensive European action. Coordination and cooperation is therefore vital to deal with health emergency needs, to support economic activity and to prepare the ground for the recovery. During the current pandemic crisis, the EU and its Member States should give a clear sign of solidarity and subsidiarity, and provide efficient help to people who are suffering, to public health systems and vulnerable businesses, and to workers who will lose their jobs or see a significant fall in their incomes.

## The EESC warmly welcomes the fact that the European Commission has responded by establishing adjusted and efficient means of providing financial support to tackle the COVID-19 situation. The EESC also recognises that the direct and indirect effects of the COVID-19 outbreak continue to increase in all Member States and that further action is therefore required. The current situation is unprecedented and requires all possible measures adapted to the situation to be applied in these specific circumstances.

## The EESC stresses the need for an immediate and effective response through all means possible. It is therefore necessary to go beyond what has already been agreed and provide exceptional, additional flexibility to respond to the current unprecedented situation, which led to the activation of the general escape clause under the Stability and Growth Pact.

## The EESC strongly welcomes the temporary possibility of 100% co-financing from the EU budget for the implementation of cohesion policy programmes. The possibility of additional transfers between the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund, as well as between categories of regions, are also similarly welcomed.

## The EESC emphasises that, during this crisis, the solvency of businesses, including social and health service providers, is fast becoming a very important issue, especially as the shutdown of the economy is set to continue and given the uncertain economic outlook. In this context, the EESC welcomes the new provisions to allow the ERDF to provide support to businesses and employment undertakings facing difficulties due to these specific circumstances in a way that is consistent with the flexibility provided in State aid rules.

## The EESC welcomes the proposal of the Commission to exempt Member States from the need to comply with thematic concentration requirements, allowing them the possibility to redirect their resources to the areas most impacted by the current crisis. The EESC also welcomes the provision to allow exceptional expenditure for completed or fully implemented operations fostering crisis response capacity in the coronavirus outbreak to be eligible.

## The EESC urges the Commission to encourage Member States to eliminate all possible administrative burden, both on national and European public administrations, so that energy can be focused on dealing with the problems relating to the epidemic. In this context, the EESC also stresses the need to more actively involve the social partners at EU and national level, as well as relevant civil society organisations, to ensure the effective management of the COVID-19 crisis.

## The EESC acknowledges that all possible measures should be taken under the current multiannual financial framework (MFF) (2014-2020). In this context, the Committee agrees with the intention of the Commission to amend the MFF Regulation so that the flexibility instrument and the contingency margin can be used for dealing with the epidemic.

## The EESC urges the Commission to develop and propose to the other EU institutions a EU recovery plan commensurate with the needs and in line with the EU's priorities, using all the programmes of a revised MFF 2021-2027, adding new innovative financial tools, incorporating both European own resources as well as national contributions, through investments to support businesses, to defend employment and to boost the creation of high quality jobs, in order to overcome the effects of COVID-19 on our societies and economies.

## The EESC calls upon the Council and the European Parliament to swiftly approve the Regulation so that it can be adopted as soon as possible. The scale of the challenge requires a collective and more coordinated response.

# **General comments**

## The COVID-19 crisis has affected the EU and many parts of the world in a sudden and dramatic manner, with a major potential impact on EU citizens, the common market, health and social systems and the economy. It is hampering the sustainability of these systems and leading to liquidity constraints as businesses struggle to pay their suppliers and employees.

## The EESC fully agrees that this crisis has created an exceptional situation that urgently needs to be addressed with specific measures to support and protect Member States' economies, businesses and workers. The second package of measures is essential and necessary, even though not yet sufficient, in order to tackle the extraordinary situation created by the COVID-19 outbreak.

## The EESC welcomes the postponement of all procedural requirements linked to the deadlines for submission of annual implementation reports in 2020 as well as the deadline for Commission reports based on those. The EESC also suggests that all audits and financial instruments be simplified in order to provide an effective response to the COVID-19 outbreak.

## The EESC urges the Commission to examine all the additional funds and to also explore other potential funding options to meet the urgent economic needs in order to tackle the crisis immediately. All measures from the second package of the Commission are on the right track towards ensuring the necessary flexibility related to the COVID-19 outbreak.

## To avoid a further investment gap and the resulting negative consequences following the late take-up of the spending programmes of the upcoming 2021-2027 MFF, the EESC calls for swift adoption of the new financial framework, which should nevertheless be adapted to the new circumstances. As for the current MFF, the Committee asks the Commission to explore all possible ways of finding resources so that Member States can better deal with the exceptional situation.

## In this context, the EESC agrees with the Commission's proposal to amend the current MFF Regulation in order to remove the limitations in the scope of the global margin for commitments so as to allow for the full financing of the EUR 3.0 billion for the COVID-19 outbreak response proposed in the draft amending budget No 2/2020 presented by the Commission.

## The EESC calls for maximum flexibility at all levels from the beginning until the closure of programmes in order to ensure that the available resources are used to the greatest extent possible.

## Since the EU is facing an unprecedented crisis, an unprecedented response is required. The proposal must be adopted as soon as possible so that the resources can be used in the most flexible and effective way to address the mass impact that COVID-19 is having and will continue to have.

Luca Jahier
The president of the European Economic and Social Committee

\_\_\_\_\_\_\_\_\_\_\_\_\_