

EN

2023

02

Special report

Adapting cohesion policy rules to respond to COVID-19

**Funds used more flexibly, but reflection needed
on cohesion policy as a crisis response tool**



EUROPEAN
COURT
OF AUDITORS

Contents

	Paragraph
Executive summary	I-X
Introduction	01-08
The EU response to the effects of the COVID-19 pandemic	01-03
Amendments to the 2014-2020 cohesion policy rules through CRII/CRII+ and REACT-EU	04-07
Roles and responsibilities	08
Audit scope and approach	09-13
Observations	14-85
The Commission adapted the rules swiftly, but the measures may exacerbate existing challenges	14-42
Quick three-stage EU response to change the legal framework of cohesion policy in less than a year	15-21
The Commission adapted cohesion policy to help Member States address the consequences of the COVID-19 pandemic	22-27
The legislative changes may exacerbate some of the pre-crisis challenges of cohesion policy as well as adding additional ones	28-42
Commission's timely assistance to Member States helped speed up the approval of programme amendments	43-56
The Commission's assistance was timely and met Member States' needs	44-49
Commission approval of CRII, CRII+ and REACT-EU programme amendments was much faster than the pre-pandemic average	50-54
The Commission performed the necessary checks, but this was not always well-documented	55-56
The measures allowed Member States to allocate significant additional funding to healthcare, employment and business support	57-69
Member States re-directed 10 % of 2014-2020 cohesion policy funding as a result of CRII/CRII+	58-63
REACT-EU has been programmed mainly towards employment, healthcare and business support, broadly similar to the CRII/CRII+ reallocations	64-66

Flexibility provided by CRII+ resulted in almost €13 billion in savings for national budgets, but meant less funding overall for cohesion policy investments	67-69
The Commission plans to evaluate the results of the measures, but aggregating indicator data in a meaningful way will be difficult	70-81
The Commission's monitoring system allows separate tracking of REACT-EU, but not of the CRII/CRII+ measures	71-72
The Commission established COVID-19 indicators, although it did not provide definitions and their use is not mandatory	73-79
The Commission intends to cover both CRII/CRII+ and REACT-EU in its <i>ex post</i> evaluation for the 2024-2020 period	80-81
Cohesion policy has often been used to respond to crises, but the Commission has not analysed the impact on its long-term objectives	82-85
Conclusions and recommendations	86-94

Annex

Annex I – Main aspects and rationale of the CRII/CRII+ and REACT-EU measures

Abbreviations

Glossary

Replies of the Commission

Timeline

Audit team

Executive summary

From early 2020 onwards, the EU took a wide range of actions to address the challenges presented by the COVID-19 pandemic. Cohesion policy played a part in this response through three legislative acts amending the rules of the 2014-2020 programme period. In March 2020, the Commission launched the Coronavirus Response Investment Initiative (CRII). It introduced simplifications, liquidity and flexibility measures. In April 2020, the Coronavirus Response Investment Initiative Plus (CRII+) strengthened the flexibilities introduced in March and also provided for the possibility of 100 % EU co-financing for one year. In December 2020, the Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU) provided €50.4 billion to Member States as a top up to the 2014-2020 cohesion policy funding.

Our audit examined whether the Commission adapted well the 2014-2020 cohesion policy rules through CRII/CRII+ and REACT-EU to provide greater flexibility to Member States in using cohesion policy funds in response to the COVID-19 pandemic. We performed this audit because the changes to the legal framework for cohesion policy – one of the EU's most important policy areas – were substantial, and there was public interest in whether the measures helped Member States address the pandemic. The timing of our report allows the Commission to take our findings into account in time both for the 2014-2020 *ex post* evaluation and for its preparation of the cohesion policy framework for the post-2027 period.

We concluded that, in general, the Commission adapted well the 2014-2020 cohesion policy rules so that Member States could make use of cohesion funds more flexibly. The EU reacted promptly after the major outbreak of the pandemic in Europe in March 2020, adopting legislative measures in less than two months to mobilise unspent funds through CRII/CRII+ and in less than a year to provide additional resources via REACT-EU. These measures modified some key features of cohesion policy such as its focus on less developed regions. Those Member States with more funds available in 2020 were in a better position to make use of the CRII/CRII+ measures. In contrast, REACT-EU distributed additional resources to all Member States to be used by 2023, in effect providing 'bridge funding' between the 2014-2020 and 2021-2027 periods.

IV In allowing the redirection of resources and 100 % EU co-financing, CRII/CRII+ kept 2014-2020 cohesion policy spending on track at a time when the pandemic was seriously affecting regular economic activity. The significant new resources brought in by REACT-EU allowed Member States to fund additional investments, but also added to the pressure to spend. These changes in the legal framework led to additional programming work. This added to the administrative workload for the managing authorities and contributed to the delays to the start of the 2021-2027 period.

V The Commission provided timely assistance to Member States for the implementation of CRII/CRII+ and REACT-EU. It improved the period of time to process and approve programme amendments for CRII/CRII+, although it narrowly missed the target set in the regulation for REACT-EU.

VI Our analysis showed that the CRII/CRII+ transfer flexibilities resulted in a substantial movements of funds. Around 10 % of cohesion policy funding, €35 billion, was transferred by Member States between and within investment areas, a significant amount especially considering that the pandemic hit near the end of the programme period. Member States provided this additional funding for healthcare and business support, with funding moving primarily from energy and environment and research and innovation. For REACT-EU, with 86 % of its resources programmed by June 2022, funding is being directed primarily towards employment, healthcare and business support.

VII The Commission's monitoring system allows for separate tracking of REACT-EU, but not of CRII/CRII+ measures. The Commission can also draw on non-mandatory COVID-19 indicators to assess the achievements of its crisis response measures. However, since there are no common definitions, there is a risk that the Commission will face difficulties in interpreting the aggregated data reported by Member States.

VIII The achievements of the 2014-2020 operational programmes will be brought together in the *ex post* evaluation the Commission is required to carry out by 31 December 2024. The Commission plans to cover both CRII/CRII+ and REACT-EU in its *ex post* evaluation of the 2014-2020 period, even though there is no requirement to carry out a dedicated evaluation of the former.

IX Cohesion policy has been used as a crisis response tool often in the past, but there have been no formal assessments of the long term impact of this use. Rules for the 2021-2027 period, drawing on the flexibilities introduced by CRII/CRII+, will make it easier to use cohesion policy funds to respond to unexpected events. This may lead to a risk that the repeated use of cohesion policy to address crises may impact its primary strategic goal to strengthen economic and social cohesion between regions.

X We recommend that the Commission:

- analyse the impact of the use of cohesion policy funds to respond to crises on the long-term objectives of the policy;
- monitor closely REACT-EU absorption and, where necessary, provide targeted support with a focus on results.

Introduction

The EU response to the effects of the COVID-19 pandemic

01 The COVID-19 virus was initially detected in Europe in early 2020, with the first cases identified in France on 24 January 2020¹. It then rapidly spread across the continent. By mid-March 2020, cases had been reported in all EU Member States² and the World Health Organization had declared Europe the epicentre of the global pandemic³.

02 The virus outbreak and the public health measures taken to limit its spread triggered unprecedented social and economic disruption. Many businesses experienced liquidity shortages and solvency risks. The EU economy contracted by 6 % in 2020⁴. Globally, the crisis led to the deepest recession since the Second World War⁵.

03 From early 2020, Member States started to take numerous economic and fiscal measures to mitigate the impact of this major shock on citizens, workers and businesses. For its part, the EU facilitated the use of expansive national fiscal policies by relaxing its State aid and budgetary rules⁶ and providing direct financial support to the Member States, such as through the European Union Solidarity Fund and the Emergency Support Instrument. It also adopted a series of changes to the cohesion policy legislative framework and created new budgetary instruments (see *Box 1*).

¹ European Centre for Disease Prevention and Control (ECDC), [Outbreak of acute respiratory syndrome associated with a novel coronavirus – third update](#), 31 January 2020.

² ECDC, [Novel coronavirus disease 2019 pandemic – sixth update](#), 12 March 2020.

³ World Health Organization (WHO), [WHO Director-General's opening remarks at the media briefing on COVID-19](#), recorded 13 March 2020.

⁴ 'European Economic Forecast, Spring 2021', paper 149, May 2021, p. 20.

⁵ The World Bank, [EU regular economic report 7](#), 2021.

⁶ COM(2021) 105 final, 'One year since the outbreak of COVID-19: fiscal policy response', 3 March 2021, p. 4.

Box 1

New budgetary instruments to address the COVID-19 crisis

The EU budget is established for a period of seven years through the Multiannual Financial Framework (MFF), with most of its resources pre-allocated to Member States. This budgetary framework provided limited flexibility to direct additional funds towards the crisis, especially in the last year of the MFF period when most of the funds had already been committed.

This explains why the EU's financial response to the COVID-19 pandemic in 2020 came mainly through the creation of new instruments, such as the [Support to Mitigate Unemployment Risks in an Emergency](#) (SURE) and the [Next Generation EU](#) (NGEU), with budgets of €100 billion and €807 billion respectively.

NGEU was formally adopted on 14 December 2020. It consists of the new [Recovery and Resilience Facility](#) (RRF) representing the bulk of the package, the [Recovery Assistance for Cohesion and the Territories of Europe](#) (REACT-EU) as an increase to 2014-2020 cohesion policy funds, and top-ups to other existing EU instruments.

Unlike the regular EU budget, which is primarily financed directly from Member State contributions, these new instruments are exceptionally financed by funds borrowed on the capital markets by the Commission, on behalf of the Member States.

Amendments to the 2014-2020 cohesion policy rules through CRII/CRII+ and REACT-EU

04 Cohesion policy is one of the biggest policy areas of the EU budget, with an allocation of €355 billion (all amounts in the report are in current prices) for the 2014-2020 period. Its main aim is to reduce development disparities between different regions. It is funded from the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF), and the rules governing the use of all these funds are set in the Common Provisions Regulation (CPR).

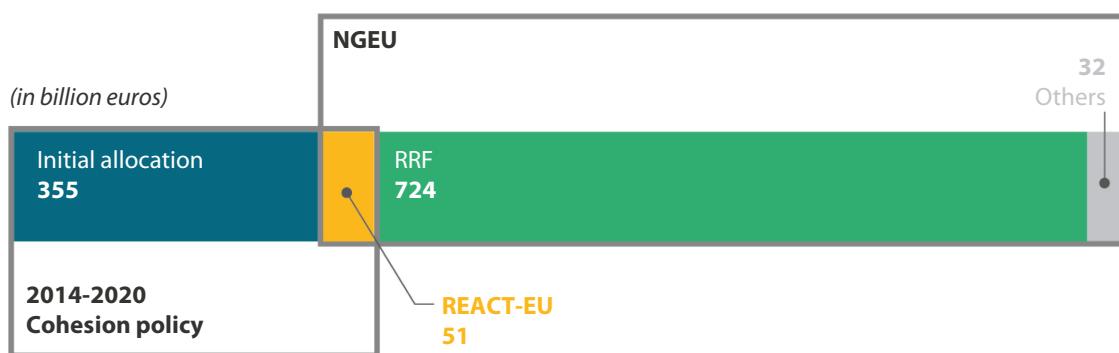
05 With programmes already running and implemented directly by Member States, cohesion policy funding provided a framework to redirect resources still available towards funding needs resulting from the COVID-19 crisis. To make cohesion policy funds more flexible and easier to use to address the crisis, the Commission introduced amendments to the CPR and the ERDF regulation. These apply to the 2014-2020 programme period, which can finance investments until the end of 2023. The primary

objective of the Commission was to provide additional flexibility and liquidity to Member States at a time of crisis.

06 The Commission responded to the pandemic through the following legislative changes to the cohesion policy rules:

- In March 2020, the **Coronavirus Response Investment Initiative (CRII)** introduced a range of simplifications, liquidity measures and flexibilities designed to help Member States respond to urgent needs such as those in the healthcare sector, for Small and medium-sized enterprises (SMEs) and for labour markets.
- In April 2020, the **Coronavirus Response Investment Initiative Plus (CRII+)** substantially strengthened the flexibilities that had been introduced through CRII. It notably provided for the possibility to apply 100 % EU co-financing to operations for one year, and facilitated the redirection of available funds from the 2020 allocation.
- In December 2020, the **Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU)** provided €50.4 billion in additional funding to Member States for 2014-2020 cohesion policy and €0.2 billion for Commission technical assistance and administrative expenditure (see *Figure 1*)⁷. REACT-EU funding must be spent by the end of 2023.

Figure 1 – REACT-EU as part of NGEU and 2014-2020 cohesion policy



Source: ECA based on Commission data.

07 *Figure 2* summarises the measures introduced to the 2014-2020 cohesion policy in the context of the COVID-19 pandemic and *Annex I* details their main aspects and rationale.

⁷ CRII/CRII+ apply to the United Kingdom, while REACT-EU does not.

Figure 2 – Main measures of CRII/CRII+ and REACT-EU

	CRII/CRII+	REACT-EU
	<ul style="list-style-type: none"> • no additional funds • non-recovery of €7.6 billion of pre-financing • 100 % EU co-financing for one year 	<ul style="list-style-type: none"> • €50.6 billion additional funds • higher pre-financing • 100 % EU co-financing for life of instrument
	<ul style="list-style-type: none"> • increased transfer possibilities between ERDF, ESF and CF and between categories of regions for 2020 • exemption from thematic concentration requirements for 2020 • some additional flexibility to reallocate funds at closure 	<ul style="list-style-type: none"> • full discretion to programme REACT-EU funds between ERDF and ESF (incl. the Fund for European Aid to the Most Deprived and the Youth Employment Initiative) and categories of regions • exemption from thematic concentration requirements for REACT-EU funds
	<ul style="list-style-type: none"> • retrospective eligibility to 1 February 2020 for crisis operations even if completed • eligibility of SME working capital via grants • expanded eligibility of health services investments under ERDF 	<ul style="list-style-type: none"> • retrospective eligibility to 1 February 2020 for all operations even if completed • all ERDF and ESF operations eligible
	<ul style="list-style-type: none"> • financial transfers within a programme between priority axes without Commission approval under certain thresholds • no modification of Partnership Agreements to reflect programme changes • no modification of <i>ex ante</i> assessment or business plan when modifying financial instruments • postponement of deadline for submitting 2019 implementation reports • possibility for audit authorities to use non-statistical sampling 	<ul style="list-style-type: none"> • no <i>ex ante</i> evaluation for any new programmes • exemption from applying <i>ex ante</i> conditionalities • no performance reserve requirements or application of the performance framework • no communication strategy requirement

Source: ECA based on Regulations (EU) 2020/460, (EU) 2020/558 and (EU) 2020/2221.

Roles and responsibilities

08 Management of cohesion policy is shared by the Member States and the Commission. The Commission services in charge of cohesion policy are the Directorates-General for Regional and Urban Policy (DG REGIO) and Employment, Social Affairs and Inclusion (DG EMPL). Managing authorities at national and regional level are responsible for implementing cohesion policy funding through operational programmes.

Audit scope and approach

09 The objective of this audit was to examine whether the Commission adapted the 2014-2020 cohesion policy framework well through CRII/CRII+ and REACT-EU to provide more flexibility to Member States in using cohesion policy funds to respond to the COVID-19 pandemic. In particular, we examined whether:

- the Commission adapted the 2014-2020 cohesion policy framework swiftly;
- the Commission provided timely implementation assistance to the Member States;
- the measures led to the allocation of resources towards sectors in need;
- the Commission's monitoring system will facilitate the evaluation of results;
- the Commission has analysed the impact of using cohesion policy to respond to crises.

We did not assess the Member States' use of the measures and the extent to which they helped them address the pandemic challenges.

10 We obtained evidence through:

- detailed analyses of data from the Commission's monitoring and reporting systems;
- a desk review of relevant documents;
- questionnaires and in-depth meetings with the Commission;
- the examination of a judgmental sample (to cover both CRII/CRII+ and REACT-EU and to achieve a balanced geographical representation) of 25 operational programme amendments processed by the Commission; and
- a survey to all managing authorities of 2014-2020 ERDF, ESF and CF operational programmes to obtain feedback on their experience with CRII/CRII+ and REACT-EU; we received 74 responses covering 39 % of 313 programmes (cross-border and transnational programmes were excluded).

11 Our audit covers the ERDF, ESF and CF, within cohesion policy. Those elements included in CRII/CRII+ outside cohesion policy, fishing and rural development, were not included in the scope of our audit. The time period covered was from the start of the crisis measures in early 2020 to the end of 2021. We have taken account of later data where available.

12 We performed this audit because the changes to the legal framework for cohesion policy funding were substantial and the European Parliament has expressed its interest in this topic. The timing of our report allows the Commission to take our findings into account in time both for the 2014-2020 *ex post* evaluation and for its preparation of the cohesion policy framework for the post-2027 period.

13 This audit follows our two opinions on [CRII+](#) and [REACT-EU](#) from 2020⁸ and complements our [review 06/2020](#) 'Risks, challenges and opportunities in the EU's economic policy response to the COVID-19 crisis', which provided an integrated picture of the EU's main economic policy responses to the pandemic. It also draws on recently published special reports and reviews⁹.

⁸ [Opinion 03/2020](#) on amending EU regulation for the European Structural and Investments Funds' use in response to the COVID-19 outbreak and [opinion 04/2020](#) regarding the proposed REACT-EU regulation and Common Provisions Regulation governing the ESI funds.

⁹ [Special report 24/2021](#) 'Performance-based financing in Cohesion policy: worthy ambitions, but obstacles remained in the 2014-2020 period', [special report 08/2022](#) 'ERDF support for SME Competitiveness, Design weaknesses decrease effectiveness of funding', and review 01/2023 'EU financing through cohesion policy and the Recovery and Resilience Facility: A comparative analysis'.

Observations

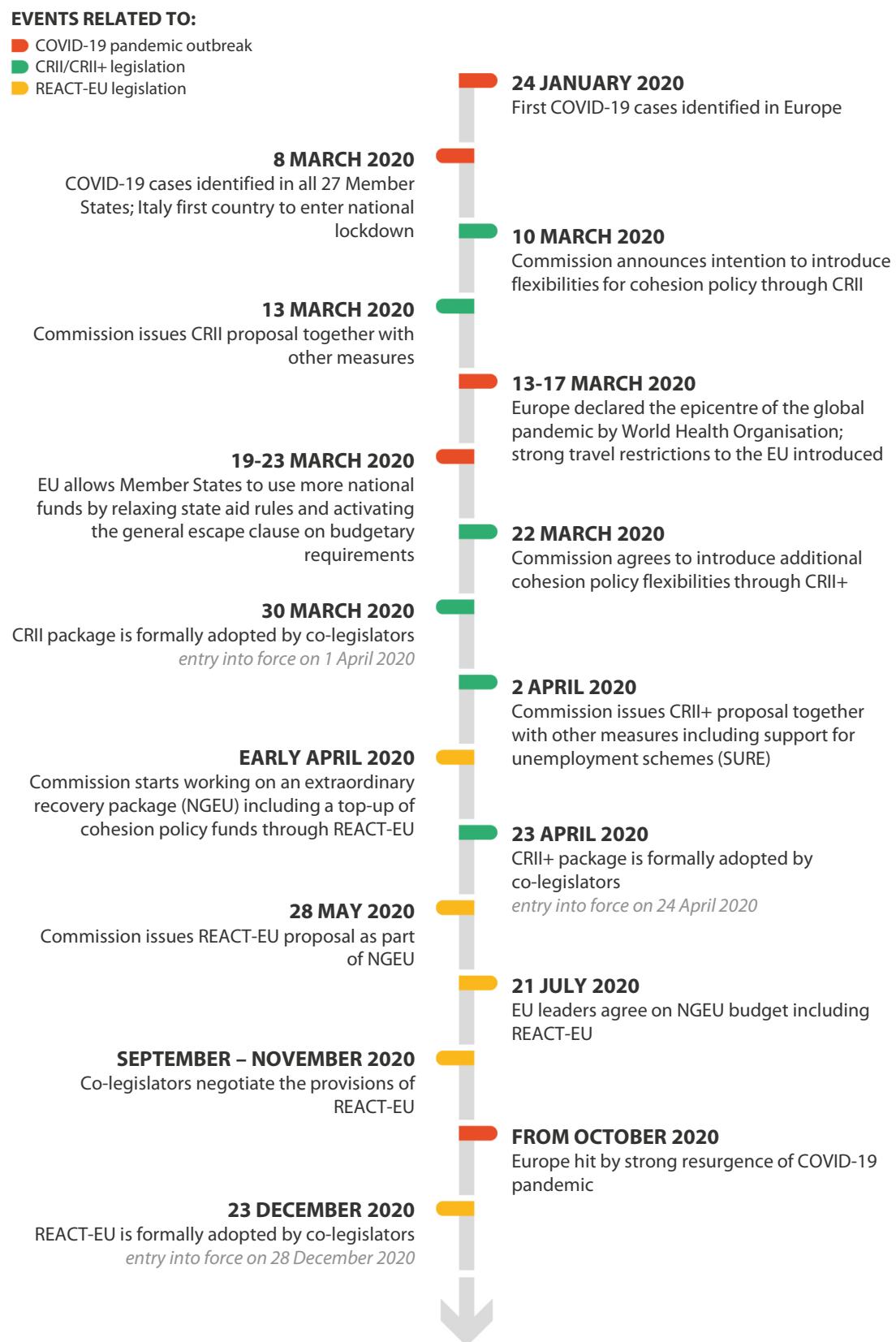
The Commission adapted the rules swiftly, but the measures may exacerbate existing challenges

14 We examined the Commission's design of CRII/CRII+ and REACT-EU to determine the promptness of the response, the rationale of the measures, and potential resulting challenges for the implementation of cohesion policy funding. We evaluated whether the manner of the response was appropriate taking into account the emergency created by the pandemic.

Quick three-stage EU response to change the legal framework of cohesion policy in less than a year

15 *Figure 3* presents the timeline from the start of the pandemic to the adoption of the cohesion policy legislative responses. For each modification to the cohesion policy funds regulations, the Commission issued a proposal that had to be adopted jointly by the European Parliament and the Council, as co-legislators.

Figure 3 – Timeline of EU action to adapt cohesion policy in the context of the COVID-19 pandemic



Source: ECA.

16 Shortly after the major outbreak of the virus in Europe, on 13 March 2020 the Commission issued the CRII legislative initiative, the first package of cohesion policy measures addressing the crisis. As Member States asked for additional measures, on 22 March 2020 the Commission decided to provide further flexibilities through a second package, CRII+, and issued it on 2 April 2020. The Commission was able to develop the CRII and CRII+ proposals within a very short period, despite all Commission staff having switched to remote working from mid-March 2020. According to our survey, 92 % of respondents considered that the Commission acted rapidly in adapting cohesion policy through CRII and CRII+.

17 The co-legislators adopted the Commission's proposals on 30 March (17 calendar days after issuance by the Commission) and 23 April 2020 (21 calendar days) respectively. This is twelve times shorter than the average for other amendments to the 2007-2013 and 2014-2020 cohesion policy CPRs (see *Figure 4*).

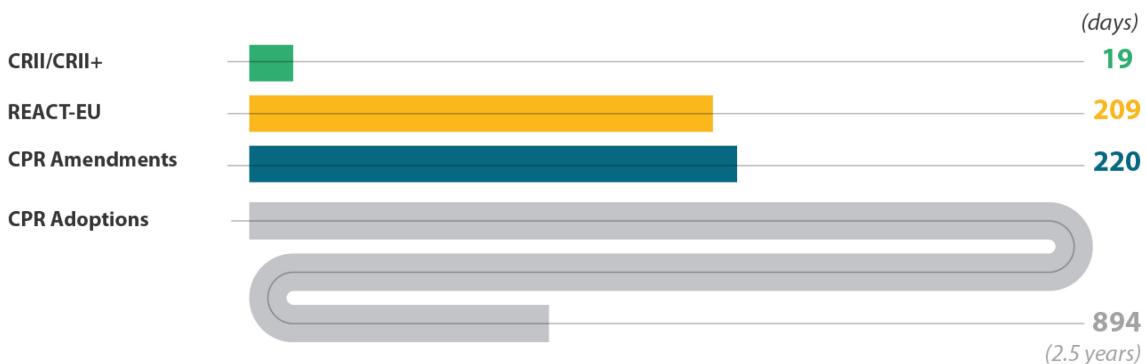
18 To facilitate the quick adoption of the legal acts, the Council and the Parliament agreed to adopt the Commission's proposals without amending them and made use of certain accelerated procedures such as remote voting. To avoid slowing down the process with legislative amendments, they asked for additional measures via the CRII+ package instead of modifying the initial CRII proposal.

19 In early April 2020, as the long-term economic impact of the COVID-19 crisis had already become clear, the Commission began to develop what would become NGEU, an €807 billion recovery package at the EU level. The Commission decided to include additional 2014-2020 cohesion policy resources in this package to quickly deliver funds to Member States through existing programmes. The Commission drafted the proposal for topping-up 2014-2020 cohesion policy funds, later called REACT-EU, in one week in early April 2020. It was issued on 28 May 2020, once the whole NGEU package had been finalised.

20 The co-legislators formally adopted the REACT-EU regulation seven months later on 23 December 2020, after making a number of amendments to the Commission's initial proposal. REACT-EU's adoption took significantly more time than for CRII and CRII+, as it was part of the new NGEU instrument where over €800 billion was at stake (*Box 1*).

21 Nevertheless, the time needed to adopt REACT-EU was in line with the average time for other CPR amendments over the last two programme periods, even though the other amendments were more restricted in scope. As a comparison, the three last CPR adoptions took two and a half years on average (see *Figure 4*).

Figure 4 – Time to adopt cohesion policy legislation in the 2007-2013 and 2014-2020 periods



Note: The number of days represents the time between the Commission's proposal and its adoption by the co-legislators as an average for each category, except for REACT-EU which had a single legislative act. The CPR Adoptions average also includes the 2021-2027 CPR.

Source: ECA based on Eurlex.

The Commission adapted cohesion policy to help Member States address the consequences of the COVID-19 pandemic

22 CRII and CRII+ introduced targeted adaptations of some cohesion policy rules for an immediate crisis response (see *Annex I*). The measures provided liquidity, flexibility and simplification to facilitate the use of unspent 2014-2020 cohesion policy funds and modified for 2020 some key features of cohesion policy funding, including its focus on less developed regions and EU co-financing. The Commission considered this acceptable as implementation was already well advanced by the seventh year of the period. Most CRII/CRII+ measures are not restricted to the COVID-19 pandemic response but can be used for all operations, thus providing a high level of discretion to national authorities.

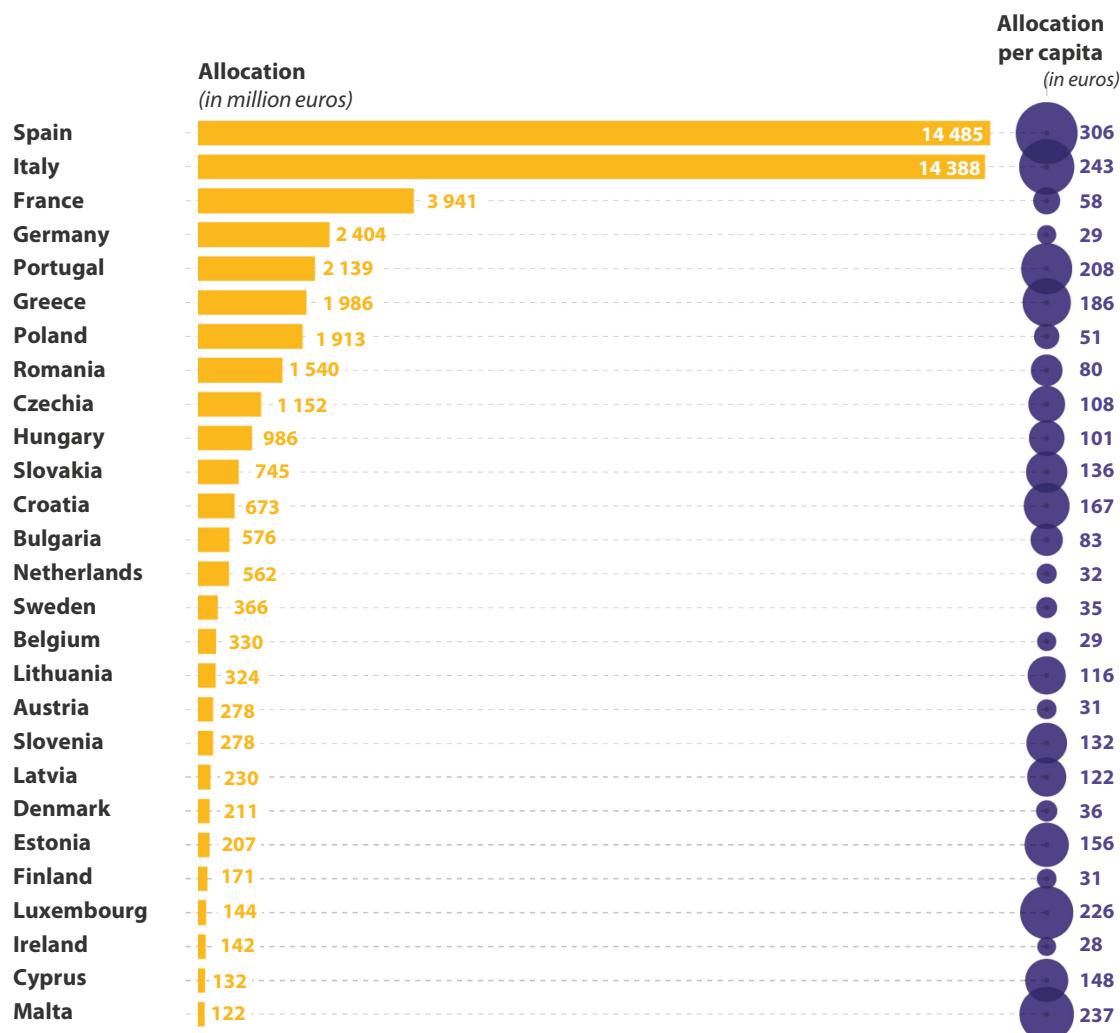
23 As CRII/CRII+ did not add new funds, some managing authorities could not implement significant changes to their programmes because they had already committed almost all their 2014-2020 allocation to beneficiaries. A quarter of the respondents to our survey indicated that they did not make use of CRII/CRII+ programming flexibilities for the programmes under their management and, for 78 % of these respondents, it was because funds had already been committed; almost half of those that did use the CRII/CRII+ flexibilities said that they still faced limitations due to funds being largely already committed.

24 The parallel negotiation of the 2021-2027 cohesion policy legislative package influenced the choice of some CRII/CRII+ measures, as the Commission wanted to avoid setting precedents in some areas. It therefore chose not to provide additional pre-financing, not to remove the payments retention applied on interim payments, and not to relax the decommitment rules.

25 REACT-EU is designed to serve as a short and medium term instrument for crisis repair and recovery actions (see *Annex I*). In contrast to regular cohesion policy funds, under REACT-EU, Member States have a high degree of discretion in allocating the additional funds between ERDF and ESF, between regions and between types of eligible investments. They can also use REACT-EU resources to support the Fund for European Aid to the Most Deprived and the Youth Employment Initiative. REACT-EU thus represents a significant departure from the regular rules of cohesion policy funds and from the usual focus of cohesion policy on reducing regional disparities.

26 The REACT-EU resources were distributed to Member States based on a methodology that differs from that used for regular cohesion policy funds. While the latter largely reflects regional disparities, REACT-EU captures only national-level data on the pre-pandemic situation and on the economic impact of the crisis on Member States. Spain and Italy, each with an allocation of more than €14 billion, are by far the two main recipients and together account for 57 % of the total budget. *Figure 5* shows the allocation per Member State, and per capita within each Member State.

Figure 5 – REACT-EU allocation by Member State



Source: ECA based on Commission data.

27 As a result of its timing, in most Member States REACT-EU has the effect of providing 'bridge funding' for the funding gap between 2021 and 2023 that resulted from the significant delays to the start of 2021-2027 cohesion policy programmes (see *Box 2*).

The legislative changes may exacerbate some of the pre-crisis challenges of cohesion policy as well as adding additional ones

28 While CRII/CRII+ brought timely changes to the legal framework that provided flexibility in the use of cohesion policy funding, REACT-EU also provided significant additional resources, increasing the challenges faced by Member States in making use of cohesion policy funds.

Measures facilitate the use of EU funds, but the additional funding may add to absorption difficulties and the pressure to spend

29 The COVID-19 pandemic and the public health measures taken to limit its spread, such as national lockdowns, affected the regular running of the 2014-2020 programmes. Nearly all of the respondents to our survey said that the pandemic had an impact on the implementation of their programmes, with 81 % experiencing project delays and 29 % project cancellations, often due to beneficiaries' economic difficulties.

30 CRII and CRII+, in particular the provisions enabling 100 % EU co-financing and giving Member States the ability to redirect resources, were designed to ease the burden on national budgets. As a result of these measures, Member States spent over 10 % more of their cohesion policy funding in 2020 than they had planned before the pandemic¹⁰. By the end of 2021, Member States had on average spent 69 % of their 2014-2020 allocation (excluding REACT-EU) compared to only 37 % by the end of 2019 (see *Figure 7*). CRII/CRII+ thus more than compensated for the implementation slowdown brought by the pandemic.

31 On the other hand, REACT-EU has added a large amount of funds to spend in a very short period of time, specifically by the end of 2023. This is likely to be a challenge for a number of Member States, as cohesion policy traditionally involves long-term planning and absorption is slow. One and a half years after the start of REACT-EU, as at 30 June 2022, some Member States still had large amounts to programme, such as Ireland and Portugal with 38 % and 25 % unprogrammed resources respectively. At that date, only 24 % of REACT-EU's allocation had been paid to Member States. Around two thirds of this was paid as pre-financing, with the remainder reimbursing expenditure already incurred and cleared. As we have previously reported, the risk is that there will be a rush to spend available resources before the end of the period, potentially leading to insufficient attention being paid to performance and value for money considerations¹¹.

¹⁰ Amending budget No 6, 2020/1672 (OJ 380/1) was adopted to cover the additional need, increasing by €5 billion the 2020 payment appropriation for cohesion policy.

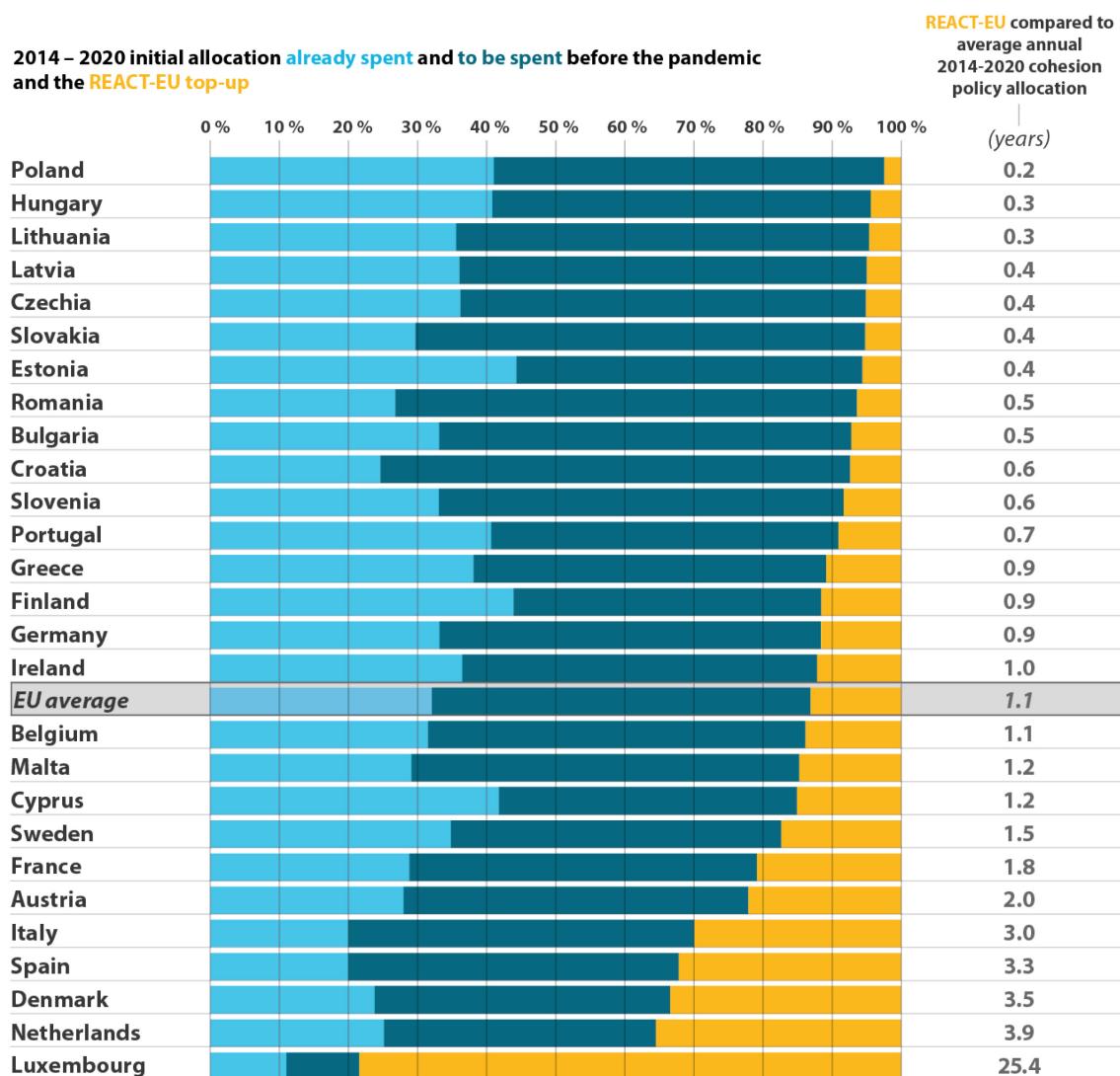
¹¹ Special report 17/2018 'Commission's and Member States' actions in the last years of the 2007-2013 programmes tackled low absorption but had insufficient focus on results', paragraph 87 and opinion 03/2020, Box 1.

32 Factors increasing the challenge to spend the REACT-EU funds by the end of 2023 include:

- The size of the REACT-EU allocation for some Member States. At EU level, REACT-EU provides a top-up equivalent to one additional year of 2014-2020 cohesion policy funds. However, the situation differs greatly by Member State because of the different budget allocation method. For example, for five Member States, the REACT-EU allocation represents more than three additional years of cohesion policy funds (see [Figure 6](#)).
- The difficulties faced by certain Member States in spending available EU funds. At the start of REACT-EU in January 2021, on average the additional funds represented an increase of 32 % to the amounts still to be paid to Member States. Some of the Member States hardest hit by the COVID-19 pandemic were also among those with the lowest absorption rates for the 2014-2020 programme period before the pandemic. For example, by the end of 2019, Italy and Spain, the two largest recipients of REACT-EU funds, had spent only 29 % of their 2014-2020 cohesion policy allocation, compared with an EU average of 37 % (see [Figure 7](#)).
- The significant amount of RRF funds Member States have to spend in parallel by 2026 (see [Figure 8](#)). For example, Spain and Italy are also the main recipients of these funds. We highlighted the challenges posed to the spending of 2021-2027 cohesion policy funds by the large amounts brought by the RRF¹². Similar difficulties may arise in certain Member States in relation to REACT-EU funds, as its eligibility period overlaps with the start of the eligibility period of the RRF.

¹² Review 01/2023, paragraphs 53-54.

Figure 6 – REACT-EU and initial 2014-2020 cohesion policy allocations



Source: ECA based on Commission data.

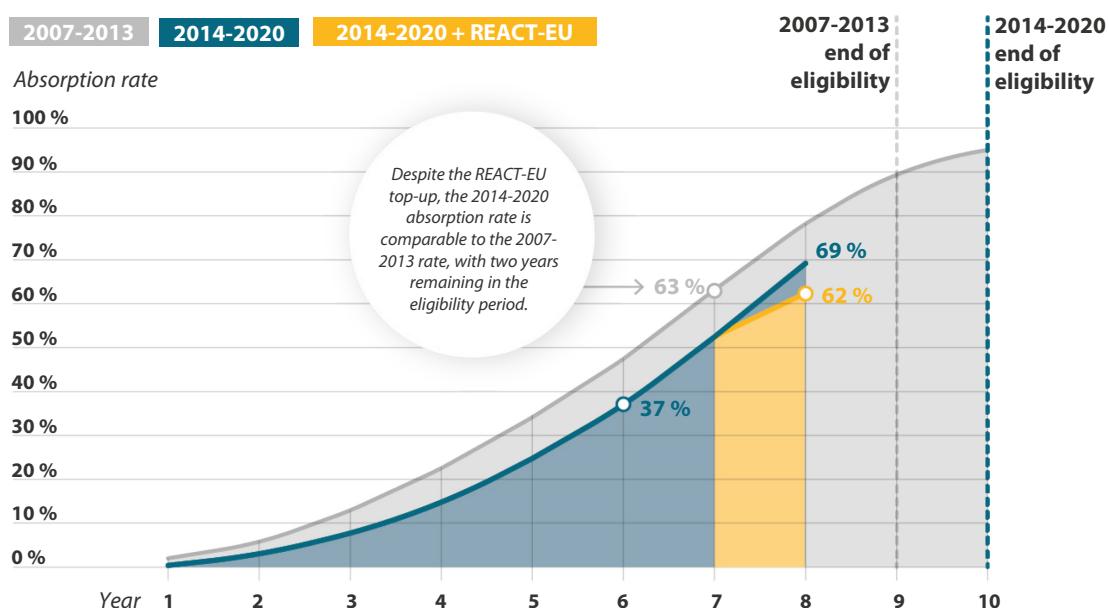
33 At the same time, there are also a number of factors that should facilitate the use of REACT-EU funds:

- REACT-EU's provisions included significant programming flexibilities and the absence of mandatory national co-financing;
- before the REACT-EU top-up, most Member States were reporting to the Commission that they had a strong pipeline of projects for financing through their 2014-2020 programmes, with two thirds having identified potential projects exceeding their funding allocation;

- the challenge to spend EU funds may be less acute in Member States where cohesion policy funds represent a small share of the total public investment¹³.

34 At the end of 2021, despite the REACT-EU additional funds, the 2014-2020 absorption rate stood at 62 %, which was similar to the 2007-2013 absorption rate at the equivalent time, with two years remaining under that period's eligibility (see *Figure 7*).

Figure 7 – Cohesion policy absorption rates per programming year: 2014-2020 versus 2007-2013 period



Note: In the 2014-2020 programme period, Member States could use the funding of a particular year within three years (n+3), whereas in the 2007-2013 period they could use it within two years (n+2). Funding is lost if not used within that time.

Source: ECA based on Commission data.

The measures added to the administrative workload for managing authorities and further delayed the start of the 2021-2027 programmes

35 The use of cohesion policy funding is often viewed as complex, with insufficient legal certainty and involving a high administrative burden for managing authorities and beneficiaries¹⁴. CRII/CRII+ introduced a large number of measures that enabled a considerable reprogramming of funds, and later the REACT-EU top-up required the

¹³ [2016 annual report](#), Chapter 2 'Budgetary and Financial Management', paragraphs 2.24-2.25 and review 01/2023, paragraph 53.

¹⁴ [Briefing paper 2018](#): 'Simplification in post-2020 delivery of Cohesion Policy', paragraph 18 and paragraph 61.

quick programming of a material amount of new resources. This naturally added to the administrative workload faced by managing authorities.

36 According to the Commission, the introduction of CRII/CRII+ and REACT-EU resulted in both the Commission and the managing authorities focusing their attention on 2014-2020 programmes at the expense of preparing the 2021-2027 partnership agreements and programmes. Managing authorities also prioritised the preparation and spending of REACT-EU funds over the 2021-2027 funds, due to both the very short implementation time period and the more attractive conditions. This contributed to the significant delays experienced at the start of the 2021-2027 period (see *Box 2*).

Box 2

Late start of the 2021-2027 period programmes

While delays at the beginning of programme periods are not a new phenomenon¹⁵, 2021-2027 cohesion policy programmes are considerably more delayed than in previous periods. By the end of the first year of the 2021-2027 period, no programmes had been adopted, compared to 56 % and 95 % of programmes at the equivalent stages of the 2014-2020 and 2007-2013 periods respectively. By the end of June 2022, only 12 % of the planned 2021-2027 programmes had been adopted in five Member States and for inter-regional programmes.

In addition to CRII/CRII+ and REACT-EU, another factor contributing to the delays was the very late adoption of the legislative package¹⁶.

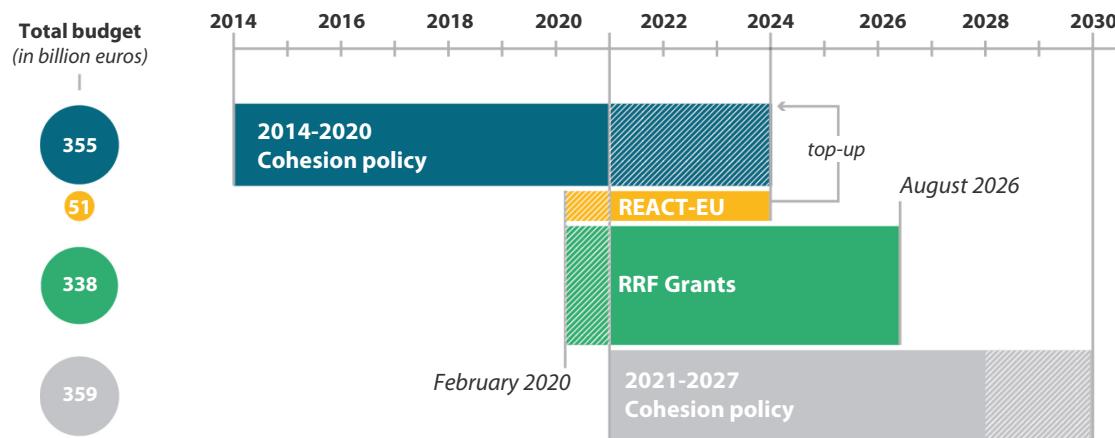
The parallel implementation of different funding streams requires additional coordination efforts

37 The eligibility period for the 2014-2020 period, including funds reprogrammed through CRII/CRII+ and the REACT-EU top-up, overlaps not only with the 2021-2027 period, but also with that of the RRF, as illustrated by *Figure 8*.

¹⁵ [Special report 17/2018](#), box 2.

¹⁶ [Special report 17/2018](#), paragraphs 16 and 18.

Figure 8 – Eligibility period of the cohesion policy programmes and the RRF

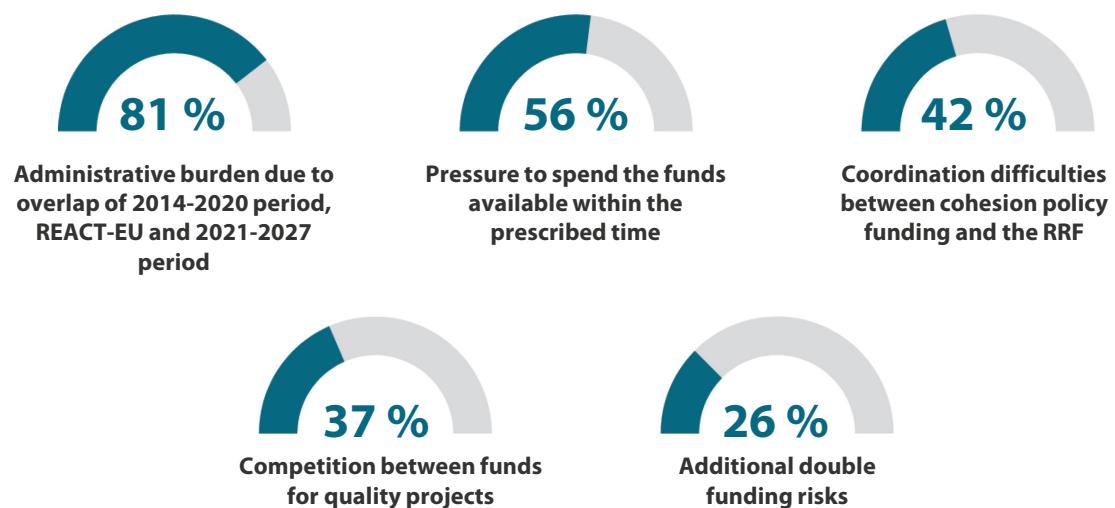


Source: ECA based on the 2014-2020 and 2021-2027 CPR, RRF, and REACT-EU Regulations.

38 The parallel implementation of different funding streams and the need to coordinate them is another factor adding to the administrative burden faced by the Member States.

39 This has also created a number of additional difficulties and challenges for managing authorities. *Figure 9* presents the views of the managing authorities we surveyed on the extent of the administrative burden and what they perceive as the possible impact. A majority of the respondents to our survey are concerned about their administrative capacity for managing the multiple streams of funding.

Figure 9 – Difficulties in coordinating different streams of funding as expressed in response to our survey



Source: ECA survey.

40 We reported that the RRF and cohesion policy funds have similarities and that their parallel implementation requires additional administrative efforts for the Member States, together with a need to ensure complementarity and to avoid the risk of double funding¹⁷. The need for coordination and complementarity is even stronger between REACT-EU and the RRF, as they are both investment instruments that are aimed at fostering the recovery and resilience of Member States. Both have a very broad scope of action, do not require national co-financing and are to be spent within a short period (the end of 2023 and mid-2026 respectively). They also both allow the financing of retroactive projects with an eligibility period starting from February 2020. Some Member States, such as Italy and Slovenia, therefore presented their national RRP^s together with their REACT-EU programmes.

The Commission took steps to address the increased risk of irregularities and fraud

41 In order to achieve a balance between the flexibilities provided for the use of the funds and the need to safeguard the EU budget, despite pressure from some Member States, the Commission did not relax the rules relating to management and control systems. An exception relating to sampling by audit authorities represented a technical solution to the practical issue of continuing audit work during the pandemic. We note that in the UK a parliamentary sub-committee report drew attention to the fact that while the government had acted quickly to provide vital support and had decided to relax or modify certain controls, this had significantly increased its exposure to fraud and error¹⁸.

42 We have already highlighted that the flexibilities provided under the CRII/CRII+ and REACT-EU emergency measures may entail an increased risk of irregularities and fraud¹⁹. These issues will be covered as part of our regular annual Statement of Assurance work. The Commission updated its risk registers to include risks related to the CRII and REACT-EU measures, including fraud. It communicated to managing authorities the need to update their fraud risk assessments and to adapt their anti-fraud measures in the context of CRII/CRII+ and REACT-EU; it also proposed potential mitigating measures to reduce risks, including the risk of fraud.

¹⁷ Review 01/2023, paragraph 11 and paragraphs 52-54.

¹⁸ 'Fraud and error', House of Commons, The Committee of Public Accounts, Ninth report of session 2021-22, 24 June 2021.

¹⁹ Opinion 03/2020 and opinion 04/2020.

Commission's timely assistance to Member States helped speed up the approval of programme amendments

43 We examined whether the assistance provided by the Commission to Member States facilitated the timely use of CRII/CRII+ and REACT-EU and whether the Commission approved programme amendments in compliance with the requirements of the legislation.

The Commission's assistance was timely and met Member States' needs

44 Under shared management, the Commission holds a supervisory role, with specific monitoring and enforcement responsibilities. The Commission's oversight activities include providing assistance to Member States to provide legal certainty, to help them apply EU law correctly, and to facilitate the implementation of EU funding.

45 The Commission started its assistance to Member States in parallel with the adoption process of the CRII legislation. At the same time that it published its CRII proposal, the Commission set up a task force, designating EU officials as points of contact for Member States' questions. It then invited the Member States to appoint a contact point to act as a conduit for the managing authorities' CRII-related questions.

46 These questions populated the CRII Q&A database, a website containing the Commission's answers to questions related to the implementation of CRII, and later CRII+, open to all 2014-2020 managing authorities. This open access was a novel approach, as before the pandemic a similar database was only available internally for knowledge sharing between the Commission's geographical and policy units. The Commission used its experience with the CRII Q&A database to adapt its approach for handling questions in the 2021-2027 period.

47 The Member States sent 140 questions in the first two days after the database was opened. By the end of April, more than 400 questions had been asked, with 90 % receiving an answer by early May and 98 % by the end of July. In contrast, before the pandemic, the Commission received around 100 questions each year from managing authorities. To manage the large volume of questions, in the first two months the Commission reallocated staff to the database from other services. All Member States put questions to the database, and more than 50 % of the questions asked related to eligibility issues and programme amendments (see *Figure 10*).

Figure 10 – CRII Q&A database content



Source: ECA based on European Commission CRII Q&A Database.

48 In addition to the answers provided in the CRII Q&A database, the Commission continued to provide assistance to Member States bilaterally through its geographical units. This was the approach used for REACT-EU: since there was less urgency than for CRII/CRII+, the Commission took the decision not to extend the Q&A database approach.

49 We already noted that the eligibility of certain operations could be interpreted differently²⁰. In our survey, 42 % of respondents indicated that they experienced legal uncertainty related to the use of the CRII/CRII+ measures. However, our survey also shows that the Commission was effective in assisting managing authorities: over 90 % of the respondents were satisfied or very satisfied with the timeliness and the substance of the support received on CRII/CRII+ and REACT-EU.

²⁰ ECA opinion 03/2020, paragraph 11.

Commission approval of CRII, CRII+ and REACT-EU programme amendments was much faster than the pre-pandemic average

50 The implementation of most CRII/CRII+ measures and the programming of the additional REACT-EU resources required modifications to the 2014-2020 programmes. With the exception of 'not substantial transfers'²¹, these modifications required amendment requests from the Member States and approval by the Commission to ensure that the proposed changes are in line with the legislation, the programme's objectives and the overall cohesion policy strategy²².

51 By the end of 2021, the Commission had approved 351 operational programme amendments for CRII/CRII+, in 271 of the total 388 programmes in 2014-2020 cohesion policy funding, as some programmes had multiple amendments. All Member States except for Austria and Finland introduced CRII/CRII+ programme amendments. For REACT-EU, by the end of 2021, there were 188 approved programme amendments and one new operational programme in Germany.

52 The CRII/CRII+ regulations did not introduce a requirement for the Commission to approve programme amendments faster than within the three-month period prescribed by the CPR²³. However, the Commission committed itself to cooperating with Member States in the preparation of CRII/CRII+ amendments and approving them as a priority. Under the REACT-EU regulation, the Commission is required to do its utmost to approve any new dedicated operational programme or any amendment to an existing programme within 15 working days of its submission by a Member State²⁴.

53 At the start of 2020, before the pandemic, the Commission was just starting to meet the three-month deadline set by the CPR for approving amendment requests. For CRII/CRII+ and REACT-EU, the Commission processed the amendment requests faster by employing a rapid procedure. Some of the key elements of this procedure were an increased focus on working with the Member States to clarify proposed modifications and discuss issues informally, an increase in the number of staff assigned

²¹ Article 30(5) [Regulation \(EU\) No 1303/2013](#) defines transfers to another priority of the same fund of the same programme which amount of up to 8 % of the allocation as of 1 February 2020 of a priority and no more than 4 % of the programme budget as not substantial transfers.

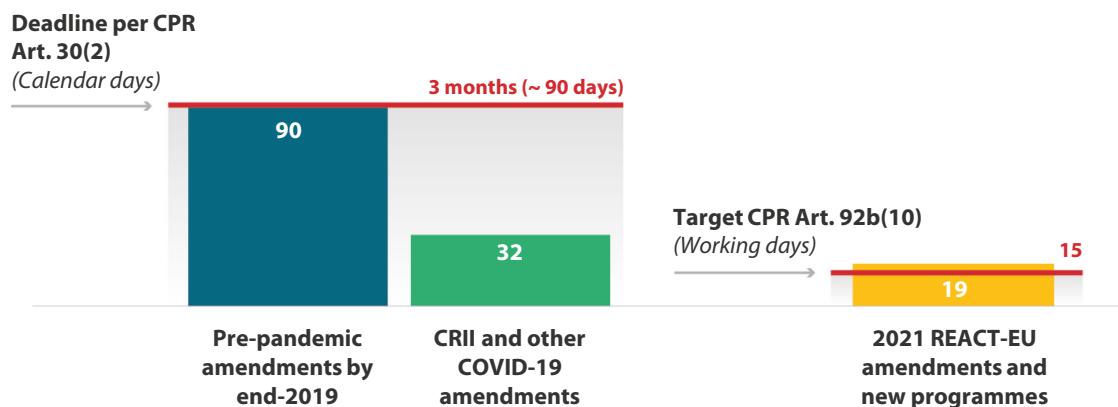
²² Article 30 [Regulation \(EU\) No 1303/2013](#).

²³ Article 30(2) of [Regulation \(EU\) No 1303/2013](#).

²⁴ Article 92b(10) of [Regulation \(EU\) No 1303/2013](#).

to units where bottlenecks would usually develop, and internal agreements to reduce approval times. These steps helped to reduce significantly the time taken by the Commission to approve programme amendments (see [Figure 11](#)).

Figure 11 – Time needed for CRII/CRII+ and REACT-EU programme amendment approval (in number of days)



Source: ECA based on Commission data.

54 The average time of one month achieved by the Commission in approving CRII/CRII+ amendments compares favourably with the three-month deadline set in the regulation and with the average approval time achieved before the pandemic. It is also in line with the Commission's commitment to prioritise CRII amendments. The average REACT-EU programme amendment approval time was 19 working days, slightly above the 15 working day target.

The Commission performed the necessary checks, but this was not always well-documented

55 The Commission prepared internal guidance for staff involved in assessing requests for programme amendments. Our review of the approval process for a sample of CRII and REACT-EU programme amendments showed that this guidance was followed by the Commission staff when checking whether the changes were in line with the legislation and duly justified, and whether they took into account performance aspects, such as adjusting or setting indicator targets as appropriate.

56 The Commission also used standardised quality checklists to document its approval work in the majority of cases. Standard quality checklists were used in 19 out of the 25 amendments we reviewed. In the six cases where the checklists were not utilised or not fully utilised, the Commission documented the work performed in other documents at the level of the geographic units. While the use of the quality checklists

is not a legal requirement, the lack of a standard approach to documentation does not allow a complete overview and coordination.

The measures allowed Member States to allocate significant additional funding to healthcare, employment and business support

57 We examined the use made of CRII/CRII+ flexibilities and REACT-EU resources at the EU level, in order to determine the extent to which they enabled the Member States to allocate resources to address the COVID-19 crisis.

Member States re-directed 10 % of 2014-2020 cohesion policy funding as a result of CRII/CRII+

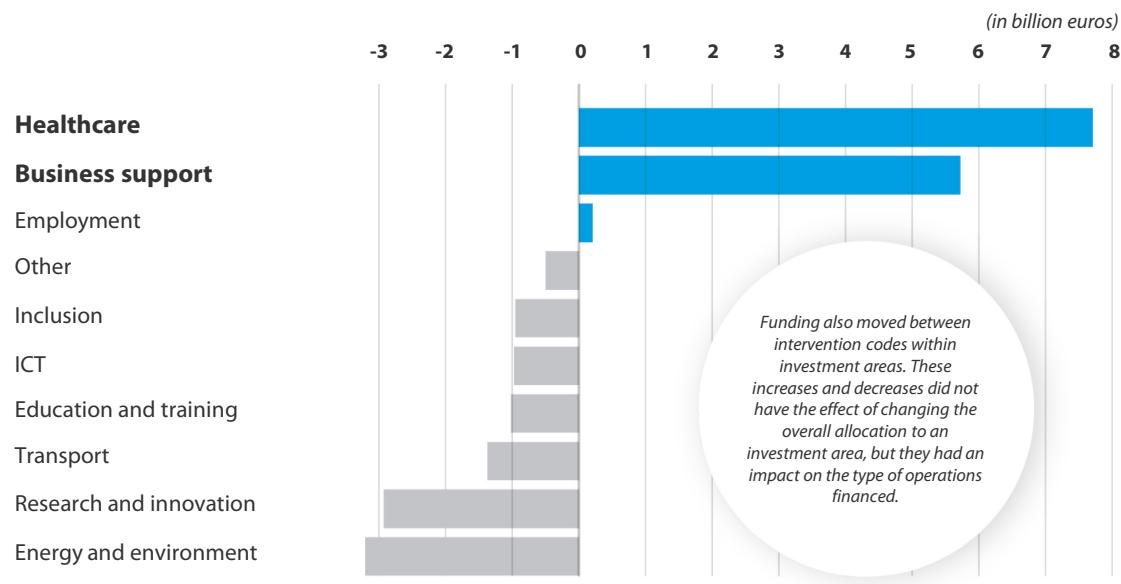
58 As at 31 December 2021, Member States had transferred €35 billion between and within investment areas²⁵. This represents 10 % of the total 2014-2020 cohesion policy funding allocation, a significant proportion, given that the pandemic struck in the seventh year of the eligibility period.

59 The volume of transfers varies considerably among Member States. This is due to a number of factors, including the Member States' national policies and investment strategies, their total cohesion policy funding allocation, and the amount that remained available. In total, 74 % of 2014-2020 programmes made CRII/CRII+ transfers. Eleven Member States transferred more than 10 % of their 2014-2020 period allocation between or within investment areas, with Ireland transferring 30 %.

60 Member States used the CRII/CRII+ measures to re-direct funding towards investments to address the effects of the pandemic. Compared to the pre-pandemic allocation, funding towards healthcare investments increased by 80 % (€7.7 billion) and towards business support by 16 % (€5.7 billion). Conversely, funding towards investments in ICT, energy and environment, inclusion and research and innovation decreased by 5 % to 8 % (altogether around €8.1 billion). *Figure 12* shows the net funding increases and decreases to investment areas since February 2020.

²⁵ We grouped the 123 intervention codes defined in [Regulation \(EU\) 215/2014](#) in 10 Investment Areas (12 in the case of REACT-EU). The €35 billion represents the total amount of increases to intervention codes and are matched by corresponding decreases in other intervention codes.

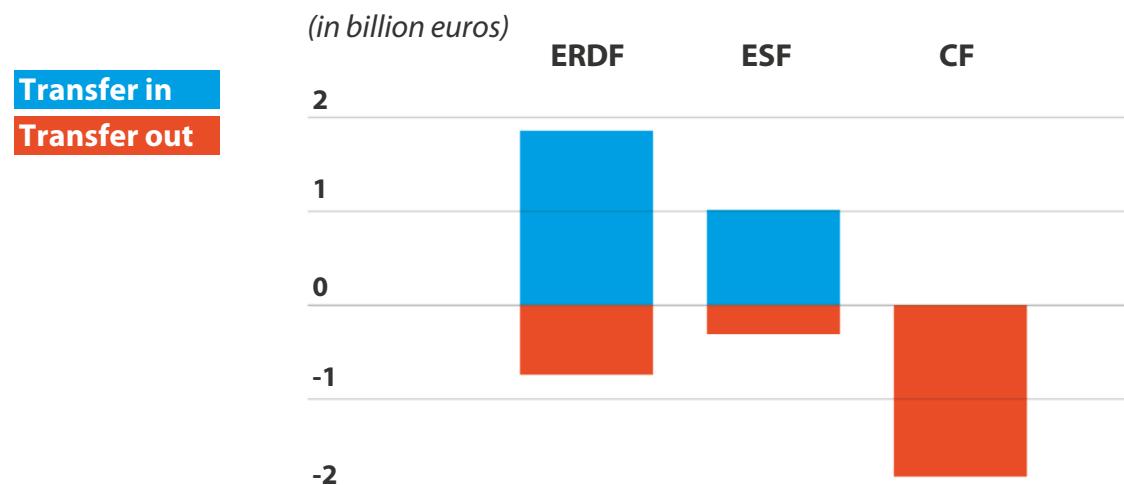
Figure 12 – CRII/CRII+: reallocation of funding between investment areas



Source: ECA based on Commission data.

61 Funding moved from the CF to ERDF and ESF, and also to more developed and transition regions. In 2020, two thirds of the Member States (18 out of 28) transferred allocations between the ERDF, ESF and CF. Some Member States such as Cyprus, Greece and Croatia transferred all or almost all of their 2020 CF allocation. As a result of these transfers, the 2020 allocation to the ERDF and ESF increased in net terms by around €1.1 billion (3 %) and €0.7 billion (5 %) respectively, with the CF decreasing accordingly by around €1.8 billion (18 %) (see [Figure 13](#)).

Figure 13 – Transfers between ERDF, ESF and CF



Source: ECA based on Commission data.

62 In the 2014-2020 period, 16 Member States had more than one category of region. Around 80 % of these (13 out of the 16) made transfers between categories of regions²⁶. Some Member States such as Greece, Hungary and Italy, transferred substantial amounts from less developed regions to more developed or transition regions. Overall, allocations to more developed and transition regions increased by €1.7 billion and €82 million respectively, whereas allocations to less developed regions decreased marginally by €5.6 million and the rest of the funds came from the CF, which provides support to less wealthy Member States.

63 We found that, as a result of the flexibilities for redirecting resources, the Member States made significant adjustments in the allocation of their cohesion funds between investment areas, funds and categories of regions. In particular, the waiver of the thematic concentration requirement made it easier for Member States to move funding between operations. In addition, Member States were able to benefit from the expanded eligibility of operations fostering crisis response capacities, including for projects already completed. All the respondents to our survey reported that they found the CRII/CRII+ programming flexibilities useful (37 %) or very useful (63 %).

REACT-EU has been programmed mainly towards employment, healthcare and business support, broadly similar to the CRII/CRII+ reallocations

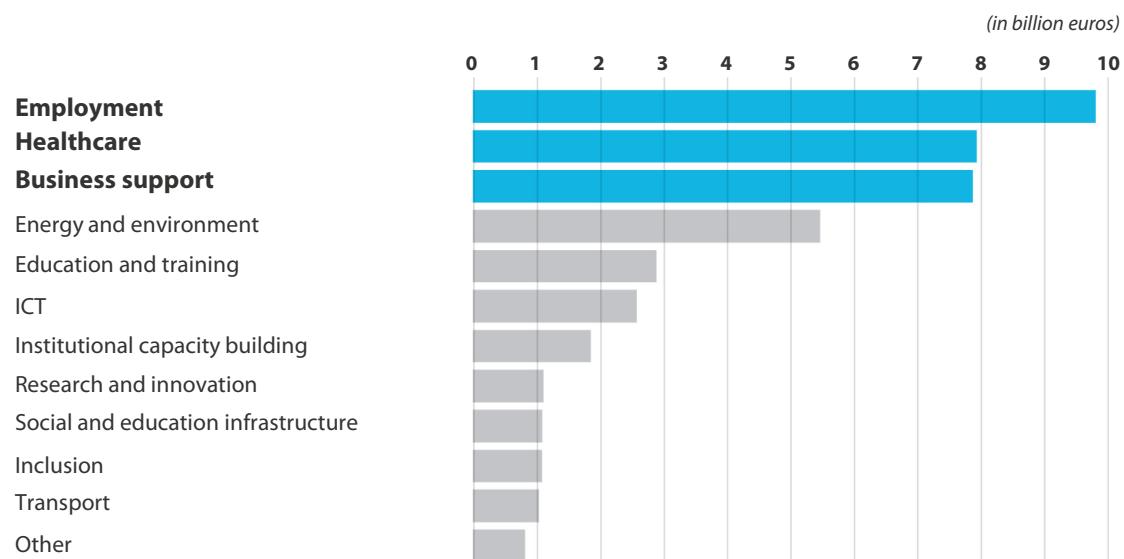
64 The end of the eligibility period for REACT-EU is 31 December 2023, the same as for the 2014-2020 period cohesion policy funding. This limits the scope for Member States to use this funding for long-term investments that require more time to develop and implement. By 30 June 2022, Member States had programmed €43.5 billion (86 %) of REACT-EU resources under the ERDF and ESF operational programmes, with a 64 % and 36 % split between the two funds respectively. This was broadly in line with the 2014-2020 period split of 70 % and 30 % respectively.

65 A significant amount of the REACT-EU resources were programmed towards employment (23 %), healthcare (18 %) and business support (18 %) (see [Figure 14](#)). A significant part (three quarters) of funding towards business support went to generic productive investments such as working capital, whereas before the pandemic this represented just half of this investment area. Overall, we noted a great variance between Member States in terms of how the resources were programmed. Some Member States chose to focus their REACT-EU allocation predominantly in one

²⁶ As defined in Article 90 Regulation (EU) No 1303/2013.

investment area, whereas other Member States programmed their REACT-EU resources across multiple investment areas.

Figure 14 – REACT-EU: additional funding by investment area



Source: ECA based on Commission data.

66 The REACT-EU regulation²⁷ included an expectation that REACT-EU should contribute 25 % of its overall financial envelope to climate objectives, although this was not a legal requirement. However, by the end of June 2022, only around 15 % (€6.6 billion) of the programmed REACT-EU resources had been allocated to investments expected to contribute to climate objectives. The contribution to climate objectives from REACT-EU resources programmed under ERDF and ESF amounts to 21.6 % and 3.5 % respectively. We consider that it is unlikely that the 25 % expectation will be fulfilled, since by June 2022 86 % of the REACT-EU resources had already been programmed.

Flexibility provided by CRII+ resulted in almost €13 billion in savings for national budgets, but meant less funding overall for cohesion policy investments

67 For the accounting year ending 30 June 2021, 18 Member States took advantage of the CRII/CRII+ flexibilities to increase the co-financing rate to 100 % for nearly half of the 2014-2020 programmes. Based on the Commission's calculations, this meant that these Member States could claim, on top of their regular co-financing, an additional €12.9 billion of EU funding. This represents 11 % of the payments claimed in 2020 and

²⁷ Regulation (EU) 2020/2221, recital 6.

2021 or 3.6 % of the overall cohesion policy funding allocation. For some Member States, the impact was substantial (see *Box 3*).

Box 3

Savings in national budgets as a result of the 100 % EU co-financing provided by CRII+

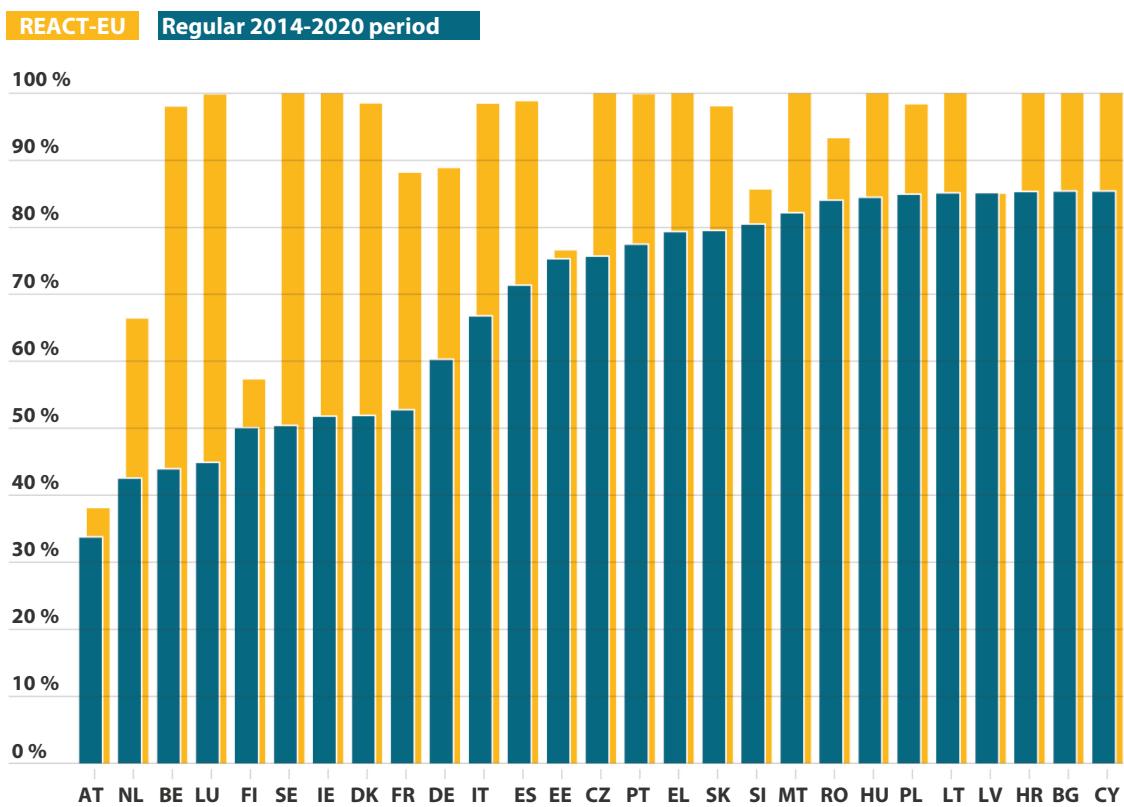
Ireland claimed an additional €230 million, which equates to more than a fifth (22.5 %) of its entire 2014-2020 period allocation and almost 40 % of its unspent funding at the end of 2019.

Italy and Spain claimed an additional €3.4 billion and €2.7 billion respectively, for each country around 10 % and 9 % of their 2014-2020 allocation, and 14 % and 13 % of their unspent funding at the end of 2019.

68 For REACT-EU resources, Member States could opt for a co-financing rate of up to 100 %. All Member States, with the exception of Latvia, used a higher co-financing rate for REACT-EU resources compared to their average co-financing rate in the 2014-2020 period. Overall, the co-financing rate increased from 74 % to 95 %²⁸. Two-thirds (18 out of 27) of the Member States opted for a co-financing rate in the range of 98 % to 100 % (see *Figure 15*).

²⁸ For comparability with REACT-EU, this EU average co-financing rate for the 2014-2020 period excludes UK and territorial co-operation programmes.

Figure 15 – Average co-financing rate: REACT-EU versus regular 2014-2020 period



Source: ECA based on Commission data.

69 The increased rate of EU co-financing helped reduce the burden on national budgets. On the other hand, it translates into less funding overall towards cohesion policy investments, as the same EU funding allocation attracts less overall national and private co-financing. Lower levels of national co-financing also carry the risk that there is less incentive for Member State authorities to focus on performance.

The Commission plans to evaluate the results of the measures, but aggregating indicator data in a meaningful way will be difficult

70 We examined the Commission's monitoring system for CRII/CRII+ and REACT-EU and its plans to evaluate the response to the pandemic through these measures. We evaluated whether the Commission will be in a position to inform stakeholders on the impact of the measures.

The Commission's monitoring system allows separate tracking of REACT-EU, but not of the CRII/CRII+ measures

71 The Commission's monitoring system does not distinguish expenditure related to the CRII/CRII+ measures from other expenditure. We have already addressed the need for the Commission to provide comprehensive reporting of expenditure relating to the COVID-19 pandemic²⁹. The Commission took the view that almost all transfers between and within investment areas (see paragraphs 58 and 60) and between funds and categories of regions (see paragraphs 61-62) from February 2020 onwards were likely to be pandemic-related, and thus attributable to the CRII/CRII+ measures.

72 In contrast, the REACT-EU regulation³⁰ introduced a dedicated cross-cutting thematic objective for the additional resources. This enables the Commission to distinguish REACT-EU operations from others, facilitating monitoring and evaluation.

The Commission established COVID-19 indicators, although it did not provide definitions and their use is not mandatory

73 The CRII/CRII+ and REACT-EU regulations did not result in any formal changes in the cohesion policy monitoring framework and systems. The existing intervention codes used to identify the content of actions are broad and were not designed to identify pandemic-related expenditure.

74 In May 2020, six weeks after the adoption of the CRII regulation, the Commission published a set of 27 non-mandatory COVID-19 indicators³¹ with the aim of providing more transparency and accountability on the use of cohesion policy funding in relation to healthcare, business support and ESF operations. In February 2021, a further five indicators were added, relating to EU support for COVID-19 vaccination. These 32 indicators monitor inputs, outputs and, for ESF operations, results. Similarly to the 2014-2020 period, the Commission did not propose result indicators for ERDF operations but Member States could develop their own (see paragraph 77). We have

²⁹ [2020 annual report](#), Chapter 2 'Budgetary and Financial Management', paragraphs 2.7-2.8, Recommendation 2.1.

³⁰ [Regulation \(EU\) 2020/2221](#) introduced a new thematic objective 'Fostering crisis repair in the context of the COVID-19 pandemic and its social consequences and preparing a green, digital and resilient recovery of the economy', (TO13).

³¹ EGESIF 20-00007-01, 'Non-paper: List of programme specific indicators related to the cohesion policy direct response to the COVID-19 pandemic', May 2020.

previously outlined shortcomings related to ERDF result indicators in the 2014-2020 period and the challenges involved in evaluating the impacts of ERDF interventions³².

75 The Commission opted not to make the indicators mandatory, as doing so would have lengthened the adoption process and delayed uptake by the Member States. The REACT-EU regulation stated that, where appropriate, Member States should use COVID-19 programme specific indicators made available by the Commission³³. Member States could include these indicators in their programmes on a voluntary basis, and monitor and report on them through the existing monitoring system.

76 The Commission did not set common definitions for indicators – again with a view to getting the regulations in place as quickly as possible – leaving these to be determined by each Member State. A Commission study, limited to ESF operations, concluded that a complete overview of indicator definitions was lacking and that some indicators were not used consistently across Member States³⁴. As a result, it will be difficult for the Commission to fully aggregate data at EU level in a coherent way.

77 The Commission's indicators do not cover all eligible operations. Member States also had the option of developing their own programme-specific indicators for pandemic-related operations. The Commission encouraged them to encode these indicators so that they could be identified easily at national level and for the purpose of the evaluation. However, since these indicators are specific to an operational programme or a particular Member State, they cannot be aggregated at EU level.

78 Our survey respondents were positive regarding the Commission's indicators, with three quarters of our survey respondents reported that the Commission's indicators were relevant for the types of operations financed, and two thirds that they were relevant to an overall assessment. We found that of all of the COVID-19 indicators that were used by Member States, almost 80 % were the Commission's indicators. In relation to CRII/CRII+, 25 out of 28 Member States and 65 % of the operational programmes that made CRII/CRII+ transfers used the Commission's indicators. Similarly, for REACT-EU, 26 out of 27 Member States and 76 % of the

³² [ECA special report 02/2017](#) The Commission's negotiation of 2014-2020 Partnership Agreements and programmes in Cohesion: spending more targeted on Europe 2020 priorities, but increasingly complex arrangements to measure performance.

³³ [Regulation \(EU\) 2020/2221](#), Article 1(1).

³⁴ [Study on the Pathways to Enhance the use of Programme-Specific Indicators in the ESF and ESF+](#), April 2022.

operational programmes that programmed REACT-EU resources used the Commission's indicators. This widespread use of its indicators could help the Commission evaluate how cohesion policy funding, including from REACT-EU resources, was used in the context of the pandemic.

79 The Commission reported on the implementation of the CRII/CRII+ measures and REACT-EU programming in particular through dedicated public websites: the [Coronavirus Dashboard](#), the [REACT-EU Dashboard](#) and the [Overview of Cohesion Policy Coronavirus Indicators](#). These websites were set up as soon as there was sufficient data to be reported, and are regularly updated. At the time of our audit, the latest implementation data related to the end of 2020 and at that point in time it was too early for Member States to provide meaningful information on implementation.

The Commission intends to cover both CRII/CRII+ and REACT-EU in its *ex post* evaluation for the 2024-2020 period

80 The Commission is required to carry out an *ex post* evaluation to examine the effectiveness and efficiency of 2014-2020 cohesion policy funds by 31 December 2024³⁵. For CRII/CRII+ there is no explicit provision in the regulations to carry out a dedicated evaluation, whereas the REACT-EU regulation requires the Commission to carry out an evaluation by 31 March 2025³⁶.

81 The Commission plans to evaluate its response to the pandemic, covering both CRII/CRII+ and REACT-EU, as part of its *ex post* evaluation of the 2014-2020 period by the end of 2024. In a previous report, we have also addressed the need to link cohesion policy and RRF evaluations³⁷.

³⁵ Article 57 of [Regulation \(EU\) 1303/2013](#).

³⁶ [Regulation \(EU\) 2020/2221](#), Articles 1(1) and 2.

³⁷ [Special report 24/2021: 'Performance-based financing in Cohesion policy: worthy ambitions, but obstacles remained in the 2014-2020 period'](#), Recommendation 2.

Cohesion policy has often been used to respond to crises, but the Commission has not analysed the impact on its long-term objectives

82 We reviewed how CRII/CRII+ has influenced the Commission's legislative proposals for the 2021-2027 period, and whether the Commission has analysed the impact of the continued use of cohesion policy to respond to crises on its long-term objectives.

83 In May 2020, the Commission published amendments to its 2021-2027 cohesion policy legislative proposals to allow for additional flexibility in times of crisis. One such provision, later adopted, empowers the Commission to deploy certain defined temporary measures in the use of cohesion policy funds in response to exceptional and unusual circumstances, in the spirit of what was done under CRII/CRII+ (see *Box 4*).

Box 4

Modifications to the 2021-2027 cohesion policy legislative package adopted in June 2021

The changes to the 2021-2027 cohesion policy rules provide for, among other things, more flexibility to transfer funds between ERDF, ESF+ and CF, and more scope for phasing operations between programme periods to take into account potential crisis-related delays.

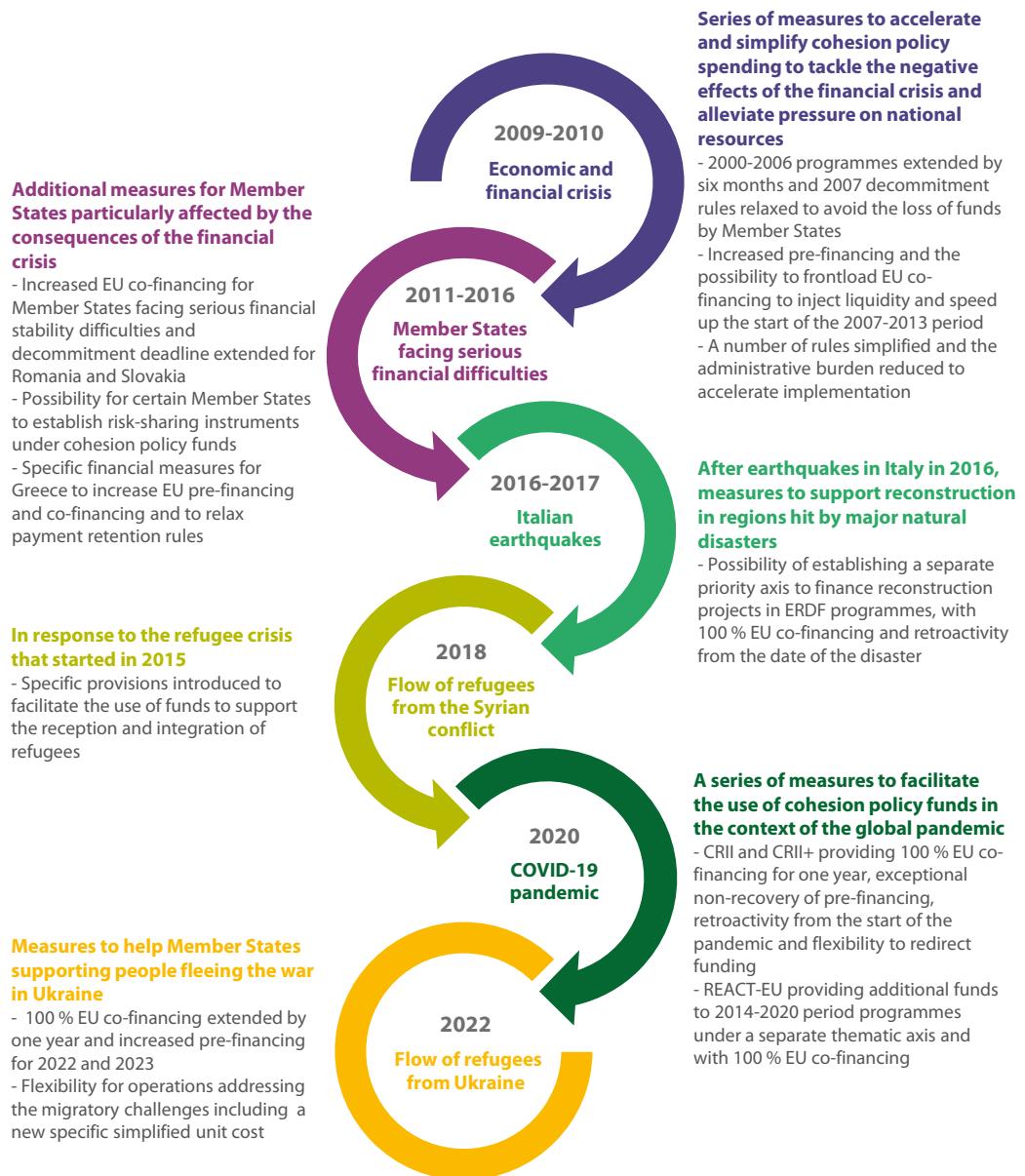
The Commission is given the power to respond to exceptional situations by adopting implementing acts to deploy measures such as increasing co-financing by 10 percentage points and allowing the retrospective selection of completed projects for maximum periods of 18 months³⁸.

These measures can be invoked when the Council recognises the occurrence of an unexpected adverse economic event that has a major financial impact. Their rationale is to strengthen the EU's capacity to respond to future crises through cohesion policy by enabling the Commission to react faster, through the adoption of a simple implementing act which, unlike a regulation amendment, does not require the co-legislators' approval.

³⁸ Article 20 of [Regulation \(EU\) 2021/1060](#) of 24 June 2021, the CPR (OJ L 231, 30.6.2021, p. 159), Article 4(3) of [Regulation \(EU\) 2021/1057](#) of 24 June 2021 establishing the ESF+ (OJ L 231, 30.6.2021, p. 21) and Article 5(6) of [Regulation \(EU\) 2021/1058](#) of 24 June 2021 on the ERDF and on the CF (OJ L 231, 30.6.2021, p. 60).

84 The use of cohesion policy rules to help Member States during crises is not a new phenomenon (see *Figure 16*). As of October 2022, of the 26 CPR modifications in the 2007-2013 and 2014-2020 periods, more than half (15) were linked with a crisis. REACT-EU represents the first time that cohesion policy funding was increased in response to a crisis, reflecting the magnitude of the disruption to the economy and the fact that the COVID-19 pandemic started at the end of the 2014-2020 period, when remaining available funds were limited. However, there have been no focused *ex post* evaluations or formal assessments of the use of cohesion policy as a crisis response tool.

Figure 16 – Cohesion policy response to crises over the 2007-2013 and 2014-2020 periods



Source: ECA based on Commission data.

85 The primary aim of cohesion policy is long-term regional development and, as set out in the Treaty³⁹, strengthening the economic, social and territorial cohesion as well as reducing disparities between European regions. Its attractiveness as a short-term crisis response tool stems from its adaptability and the significant financial resources involved. The Commission is able to relax cohesion policy rules to encourage maximum use of the available funding, easing the pressure on national resources. A number of the modifications introduced in responses to previous crises have become regular features of cohesion policy, in line with the Commission's general objectives of greater flexibility and simplification. As a result, there is a risk that the repeated use of cohesion policy to address crises may impact its primary strategic goal to strengthen economic and social cohesion between European regions.

³⁹ Treaty on the Functioning of the European Union, Article 174.

Conclusions and recommendations

86 We concluded that, in general, the Commission adapted well the 2014-2020 cohesion policy rules so that Member States could make use of cohesion policy funds more flexibly. The flexibilities offered through CRII/CRII+, as well as the additional funding provided through REACT-EU, led to a significant reallocation of funding towards healthcare, business support and employment in order to respond to the COVID-19 pandemic. However, REACT-EU, together with additional funding under the RRF, also adds to the difficulties that some Member States face in spending EU funds. Further, the Commission has not analysed the impact of the continued use of cohesion policy funding as a budgetary crisis response tool.

87 The EU reacted promptly to the crisis in employing cohesion policy to help Member States. In less than two months from the major outbreak of the pandemic in Europe, it adopted legislative measures to mobilise unspent funds through CRII/CRII+. In less than a year, it adopted REACT-EU, providing additional resources to Member States (paragraphs [15-21](#)).

88 The targeted adaptations of cohesion policy funding through CRII and CRII+ provided liquidity, flexibility for transferring funds and administrative simplifications in order to facilitate the use of unspent funds, thus alleviating the burden on national public budgets. The measures removed for 2020 some key mandatory features of cohesion policy funding, including mandatory co-financing, and its focus on less developed regions. In contrast, REACT-EU brought an additional €50.4 billion to 2014-2020 programmes, with Member States given a high level of discretion on where to allocate these funds. It has the effect of providing 'bridge funding' between the 2014-2020 and 2021-2027 periods (paragraphs [22-27](#)).

89 CRII/CRII+ kept 2014-2020 cohesion policy spending on track at a time when the COVID-19 pandemic was seriously affecting regular economic activity. However, the significant new resources brought in by REACT-EU, which require implementation within a short period of time, are likely to add to the pressure on Member States' ability to spend and to ensure good value for money from EU-funded operations. These changes to the legal framework and the resulting programming work also added to managing authorities' administrative workload. This in turn contributed to delays to the start of the 2021-2027 programmes (paragraphs [28-42](#)).

90 The Commission provided timely and suitable assistance to Member States for CRII/CRII+ and REACT-EU. It significantly reduced the time it took to process and approve programme amendments, from an average of three months pre-pandemic to one month for CRII/CRII+ and to 19 working days for REACT-EU, although for the latter this was just above the goal stated in the regulation (paragraphs [44-56](#)).

91 We found that the CRII/CRII+ transfer flexibilities resulted in a substantial movement of funds: 10 % of cohesion policy funding was transferred by Member States between and within investment areas, a significant amount especially considering that the pandemic hit near the end of the programme period. Funding moved primarily towards healthcare and support to businesses; together with employment, these are also the main areas where REACT-EU funding is directed. For CRII/CRII+, the funding moved primarily from energy and environment and research and innovation. We note that the expectation included in the regulation that 25 % of the new resources will be allocated towards meeting climate objectives is unlikely to be met. Alongside the transfer flexibilities, the use of the 100 % EU co-financing measure resulted in almost €13 billion in savings for national budgets, although this means less funding overall for cohesion policy investments (paragraphs [58-69](#)).

92 The Commission's monitoring system allows for a separate tracking of REACT-EU measures, as they involve additional funding. In comparison, the results of the CRII/CRII+ measures, like those related to any other programme amendment, cannot be monitored separately. In its assessments of the crisis response through CRII/CRII+ and REACT-EU, the Commission can draw on a set of specific COVID-19 indicators. The Commission opted to introduce non-mandatory COVID-19 indicators, without common definitions, in order to make them available quickly. As a result, there is a risk that the data reported by the Member States to the Commission will be difficult to aggregate in a meaningful way (paragraphs [71-79](#)).

93 The achievements of the 2014-2020 programmes will be brought together in the *ex post* evaluation that the Commission is required to carry out by 31 December 2024. We welcome the fact that the Commission plans to cover both CRII/CRII+ and REACT-EU in its *ex post* evaluation of the 2014-2020 period, even though there is no requirement to carry out a dedicated evaluation of the former (paragraphs [80-81](#)).

94 Although cohesion policy has often been used to provide short-term responses to crises, there have been no formal assessments on the long term impact of this use. New rules for 2021-2027 cohesion policy will make it easier to use cohesion policy funds to respond to unexpected events. As a result, there is a risk that the repeated use of cohesion policy to address crises may impact its primary strategic goal to strengthen economic and social cohesion between European regions (paragraphs [83-85](#)).

Recommendation 1 – Analyse the appropriateness of cohesion policy as a budgetary crisis response tool

In the context of the 2014-2020 *ex post* evaluation, the Commission should analyse the impact of the policy's use as a short-term budgetary crisis response tool on its long-term objectives with a view to informing future policy proposals.

Target implementation date: By the end of 2024

Recommendation 2 – Monitor closely REACT-EU absorption to provide support focusing on results where needed

As REACT-EU adds a significant amount of resources to be used in a relatively short period of time and overlaps with the implementation of the RRF, the Commission should monitor closely the progression of REACT-EU absorption to identify programmes encountering spending difficulties. It should provide targeted support so that the co-financed operations effectively contribute to the achievement of objectives and performance targets.

Target implementation date: Immediately

This Report was adopted by Chamber II, headed by Mrs Annemie Turtelboom, Member of the Court of Auditors, in Luxembourg at its meeting of 7 December 2022.

For the Court of Auditors

Tony Murphy
President

Annex

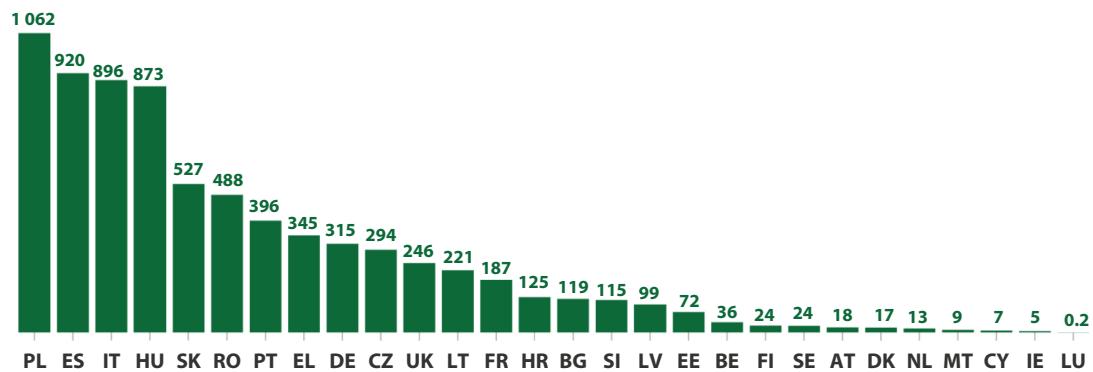
Annex I – Main aspects and rationale of the CRII/CRII+ and REACT-EU measures

CRII/CRII+

CRII and CRII+ introduced targeted modifications of the 2014-2020 cohesion policy rules to facilitate the use of unspent funds and to alleviate the burden on national public budgets. The main measures can be summarised as follows:

Liquidity measures. CRII allowed managing authorities to keep €7.6 billion in 2019 pre-financing by not recovering it in 2020. CRII+ went further in alleviating the pressure on national public budgets by relaxing the mandatory national co-financing for one accounting year, even though this is a key financial principle of cohesion policy. In 2022, this 100 % EU co-financing provision was extended for an additional accounting year following the Ukraine crisis⁴⁰.

Figure 17 – Amount of pre-financing not recovered in 2020 (in million euros)



Source: ECA based on Commission data.

Flexibility for transfers. CRII/CRII+ provided considerable flexibilities to managing authorities to reallocate the resources available for programming in 2020. They greatly relaxed the rules for transfers between cohesion policy funds and between categories of regions, also providing an exemption from thematic concentration requirements. These measures thus removed for 2020 some key mandatory features of cohesion

⁴⁰ Regulation (EU) 2022/562 of 6 April 2022 amending Regulations (EU) No 1303/2013 and (EU) No 223/2014 as regards Cohesion's Action for Refugees in Europe.

policy funding, including its focus on less developed regions, on economic and social disparities and on thematic objectives such as the low-carbon economy.

Expanded eligibility. To facilitate the use of available EU funds, the eligibility of operations that can be financed by cohesion policy funds was extended to include healthcare operations in an additional ERDF thematic objective and working capital to SMEs. In addition, operations can be financed retrospectively back to 1 February 2020, even if fully completed, provided that they are designed to foster crisis response capacities in the context of the COVID-19 outbreak. However, the regulation provides no details on which kind of operations are intended. This could create legal uncertainty for managing authorities or give rise to different interpretations of eligible operations.

Administrative simplification. Simplification measures were designed to speed up implementation and minimise the administrative burden on national authorities, although the use of some flexibilities involved programme amendments, particularly for CRII+. For example, they waived the requirements to amend partnership agreements to reflect the changes made in the programmes and to obtain Commission approval to transfer funds between priority axes under certain thresholds. These two simplifications had already been included in the 2021-2027 draft CPR provisions as agreed by the co-legislators.

REACT-EU

REACT-EU goes further in helping Member States address the consequences of the COVID-19 pandemic by providing them with additional resources. Its main measures can be summarised as follows:

New funds and liquidity measures. REACT-EU provides a €50.4 billion top-up to 2014-2020 cohesion policy funds. Channelling additional funds through an existing instrument that has programmes running and a legislative framework in place was identified as a way to deliver money quickly to Member States. REACT-EU's eligibility ends on 31 December 2023, at the same time as for regular 2014-2020 period funding. Member States thus have limited time in which to spend their additional allocations. REACT-EU provides a relatively high level of initial pre-financing of 11 % in 2021 and allows up to 100 % EU financing, in order to quickly provide liquidity and alleviate the burden on national budgets. The level of pre-financing was increased in 2022 following the Ukraine crisis⁴¹.

⁴¹ Regulation (EU) 2022/613 of 12 April 2022 amending Regulations (EU) No 1303/2013 and (EU) No 223/2014 as regards increased pre-financing from REACT-EU resources and the establishment of a unit cost.

Flexibility for programming and transfers. In contrast to regular cohesion policy funds, Member States have a high level of discretion to allocate their REACT-EU funds between ERDF and ESF, and between different types of eligible investments. They have a high level of discretion in terms of the types of projects that they finance, without thematic concentration requirements or an obligation to focus on supporting less developed regions. Similar to CRII/CRII+, in case managing authorities wish to reallocate resources, REACT-EU provides an increased possibility of financial transfers without thematic concentration requirements.

Expanded eligibility. REACT-EU provides retrospective eligibility for fully completed operations to 1 February 2020, even if they are not related to the crisis.

Administrative simplification. The implementation of REACT-EU can only be assigned to managing authorities already designated for the 2014-2020 period. Funds can be programmed through existing 2014-2020 programmes or through new dedicated programmes and partnership agreements do not need to be modified. Previous requirements related to *ex ante* evaluations, *ex ante* conditionalities and the performance framework, do not apply to REACT-EU funds.

Abbreviations

CF: Cohesion Fund

CPR: Common Provisions Regulation

CRII: Coronavirus Response Initiative

CRII+: Coronavirus Response Initiative Plus

DG EMPL: Directorate-General for Employment, Social Affairs and Inclusion

DG REGIO: Directorate-General for Regional and Urban Policy

ERDF: European Regional Development Fund

ESF: European Social Fund

MFF: Multiannual Financial Framework

NGEU: Next Generation EU

REACT-EU: Recovery Assistance for Cohesion and the Territories of Europe

RRF: Recovery and Resilience Facility

RRP: Recovery and Resilience Plans

SMEs: Small and medium-sized enterprises

TFEU: Treaty on the Functioning of the European Union

Glossary

Absorption: The extent, often expressed as a percentage (absorption rate), to which EU funds allocated to Member States have been spent on eligible projects.

Cohesion Fund: EU fund for reducing economic and social disparities in the EU by funding investments in Member States where the gross national income per inhabitant is less than 90 % of the EU average.

Cohesion policy: The EU policy which aims to reduce economic and social disparities between regions and Member States by promoting job creation, business competitiveness, economic growth, sustainable development, and cross-border and interregional cooperation.

Cohesion policy funds: The three EU funds supporting economic, social and territorial cohesion across the EU in the 2014-2020 period: the European Regional Development Fund, the European Social Fund, and the Cohesion Fund.

Common Provisions Regulation: Regulation setting out the rules that apply to a number of EU funds under shared management, including those supporting the EU's cohesion policy.

European Regional Development Fund: EU fund that strengthens economic and social cohesion in the EU by financing investments that reduce imbalances between regions.

European Social Fund: EU fund for creating educational and employment opportunities and improving the situation of people at risk of poverty.

Intervention code: Category of activities financed by the European Regional Development Fund, the Cohesion Fund or the European Social Fund.

Managing authority: The national, regional or local authority designated by a Member State to manage an EU-funded programme.

Multiannual financial framework: The EU's spending plan setting priorities (based on policy objectives) and ceilings, generally for seven years. It provides the structure within which annual EU budgets are set. The current MFF covers the 2021-2027 period and the previous one 2014-2020.

Operational programme: Framework for implementing EU-funded cohesion projects in a set period, reflecting the priorities and objectives laid down in partnership agreements between the Commission and individual Member States.

Partnership agreement: An agreement between the Commission and a Member State in the context of an EU spending programme, setting out, for example, strategic plans, investment priorities or the terms of trade or development aid provision.

Programme period: The period within which an EU spending programme is planned and implemented.

Recovery and Resilience Facility: The EU's financial support mechanism to mitigate the economic and social impact of the COVID-19 pandemic and stimulate recovery in the mid-term, while promoting green and digital transformation.

Shared management: A method of spending the EU budget in which, in contrast to direct management, the Commission delegates the implementation to the Member State while retaining ultimate responsibility.

Thematic objective: The intended overall result of an investment priority, broken down into specific objectives for implementation purposes.

Replies of the Commission

<https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=63210>

Timeline

<https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=63210>

Audit team

The ECA's special reports set out the results of its audits of EU policies and programmes, or of management-related topics from specific budgetary areas. The ECA selects and designs these audit tasks to be of maximum impact by considering the risks to performance or compliance, the level of income or spending involved, forthcoming developments and political and public interest.

This performance audit was carried out by Audit Chamber II Investment for cohesion, growth and inclusion spending areas, headed by ECA Member Annemie Turtelboom. The audit was led by ECA Member Iliana Ivanova, supported by James Verity, Head of Private Office and Ivan Genchev, Private Office Attaché; Friedemann Zippel, Principal Manager; Viorel Cirje, Head of Task; Anna Fiteni, Marion Boulard and Christophe Grosnickel, Auditors.



From left to right: Ivan Genchev, James Verity, Marion Boulard, Iliana Ivanova, Friedemann Zippel, Christophe Grosnickel.

COPYRIGHT

© European Union, 2023

The reuse policy of the European Court of Auditors (ECA) is set out in [ECA Decision No 6-2019](#) on the open data policy and the reuse of documents.

Unless otherwise indicated (e.g. in individual copyright notices), ECA content owned by the EU is licensed under the [Creative Commons Attribution 4.0 International \(CC BY 4.0\) licence](#). As a general rule, therefore, reuse is authorised provided appropriate credit is given and any changes are indicated. Those reusing ECA content must not distort the original meaning or message. The ECA shall not be liable for any consequences of reuse.

Additional permission must be obtained if specific content depicts identifiable private individuals, e.g. in pictures of ECA staff, or includes third-party works.

Where such permission is obtained, it shall cancel and replace the above-mentioned general permission and shall clearly state any restrictions on use.

To use or reproduce content that is not owned by the EU, it may be necessary to seek permission directly from the copyright holders.

Figure 2 – Icons: These figures have been designed using resources from [Flaticon.com](#). © Freepik Company S.L. All rights reserved.

Software or documents covered by industrial property rights, such as patents, trademarks, registered designs, logos and names, are excluded from the ECA's reuse policy.

The European Union's family of institutional websites, within the europa.eu domain, provides links to third-party sites. Since the ECA has no control over these, you are encouraged to review their privacy and copyright policies.

Use of the ECA logo

The ECA logo must not be used without the ECA's prior consent.

PDF	ISBN 978-92-847-9281-8	ISSN 1977-5679	doi:10.2865/699611	QJ-AB-23-002-EN-N
HTML	ISBN 978-92-847-9282-5	ISSN 1977-5679	doi:10.2865/352658	QJ-AB-23-002-EN-Q

We examined how the Commission adapted the rules to provide greater flexibility to Member States in using 2014-2020 cohesion policy funds in response to the COVID-19 pandemic. We found that the Commission reacted promptly and largely adapted the rules well, facilitating the redirection of existing resources at a time of serious economic distress. The significant new resources brought in allowed Member States to fund additional investments, but also added to the pressure to spend the funds well. We recommend that the Commission analyse the impact of using cohesion funding to tackle crises on the long-term objectives of the policy, and monitor Member States' spending to help them achieve performance targets.

ECA special report pursuant to Article 287(4), second subparagraph, TFEU.



EUROPEAN
COURT
OF AUDITORS



Publications Office
of the European Union

EUROPEAN COURT OF AUDITORS
12, rue Alcide De Gasperi
1615 Luxembourg
LUXEMBOURG

Tel. +352 4398-1

Enquiries: eca.europa.eu/en/Pages/ContactForm.aspx
Website: eca.europa.eu
Twitter: @EUAuditors