



REPLIES OF THE EUROPEAN COMMISSION

TO THE EUROPEAN COURT OF AUDITORS' 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

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This document presents the replies of the European Commission to observations of a Special Report of the European Court of Auditors, in line with Article 259 of the [Financial Regulation](#) and to be published together with the Special Report.

I. THE COMMISSION REPLIES IN BRIEF

During the peak of the COVID-19 crisis, the EU institutions worked together to find the best way to support Member States in need of urgent liquidity. By allowing the use of **available cohesion policy funding** from the 2014-2020 period, the two Coronavirus Response Investment Initiatives proved to be of considerable use to national authorities. The ECA estimates that approximately €35 billion were reallocated across all sectors as a result of the new flexibilities. According to the Commission's estimates, around two thirds of this amount, around **€23 billion¹**, were reprogrammed specifically to counter the impact of the pandemic, mainly for the healthcare system, financial support to small and medium sized enterprises and for setting up temporary national short-time working schemes.

In 2021, cohesion policy received a top-up of funding from NextGenerationEU initiative in the form of **REACT-EU resources worth EUR 50.6 billion**. This additional funding **supported Member States**, by increasing their liquidity and providing new resources to address crisis needs.

The Commission has helped authorities navigate and find synergies between all the new funding tools. It treated all requests as a priority, allowing programme amendments to be approved rapidly. Even completed measures, which started after 1 February 2020 could be reimbursed and financed 100% from the EU budget, not requiring national co-financing. Flexibility was offered for the implementation and audit frameworks, while maintaining the requirement for a strict respect of compliance with applicable rules. REACT-EU was the very first instrument to be used under NextGenerationEU with the first payments to Member States made in June 2021.

Thanks to the significant reprogramming, and the temporary use of the 100% EU co-financing rate, financial implementation further accelerated in 2020-2021: the expenditure rate has increased to 73 % at the end of October 2022, after the ECA finished its audit work.

The COVID-19 pandemic induced severe disruptions in Member States' economies and societies, risking the deepening of regional divergences and social inequalities. To ensure that cohesion policy can successfully pursue its long-term aim of reducing socio-economic and territorial disparities, the policy had to adapt urgently to the wider context and address the consequences of the pandemic impacting peoples' lives, enterprises, investments, and project implementation. The flexibilities under CRII and CRII+ were crucial to avoid further deepening of disparities between regions as a consequence of the crisis, while investing REACT-EU resources to continue the necessary support to healthcare, business and workers and preparing the recovery in line with green and digital priorities.

Cohesion policy fully demonstrated its adaptability and flexibility as one of the EU's largest investment policies in crisis recovery. This, however, did not lead to cohesion policy becoming a crisis response tool – corresponding flexibilities were well circumscribed in the legal framework and limited in time. Cohesion policy remains first and foremost a long-term investment policy for social and economic convergence between European regions, in line with EU priorities. Cohesion policy continues to deliver on its primary objective of strengthening the economic, social and territorial cohesion and delivering the Union's political priorities, such as the green and digital transition, and will continue doing so particularly under the 2021-2027 generation of programmes.

II. COMMISSION REPLIES TO MAIN OBSERVATIONS OF THE ECA

1. Prioritisation by national authorities of the crisis and recovery instruments

The Commission considers that the Member States correctly prioritised the use of crisis and recovery instruments to ensure that affected operations are adapted to the new circumstances, resources already invested are not lost and the Funds help limit the pandemic's impact on cohesion. It is also noted that the additional funding under REACT-EU brought forward the possibility for investments earlier than the start of 2021-2027 programmes, in view of bridging the gap between the 2014-2020 and the 2021-2027 period, and facilitating recovery².

2. Parallel implementation of different funding streams

The Commission recognises the need for coordination and complementarity in the implementation of the cohesion policy funds, in particular REACT-EU, and the RRF.

The risks of double funding are largely mitigated by several mechanisms and provisions. Both Member States and the Commission pay special attention to avoiding overlaps. First, pursuant to Article 63(9) of the CPR for the 2021-2027 programming period, expenditure included in a payment application for one of the Funds shall not be included elsewhere under the same Fund or under another instrument. This is already enforced under 2014-2020 and is – and will continue to be – closely monitored through audit activities. This provision is also strongly emphasised in the selection criteria applied in Member States for the selection of their projects.

Secondly, programming documents i.e. the partnership agreement, programmes and the territorial just transition plans, require a description of complementarities and synergies between cohesion policy and other Union instruments, aiming at avoiding overlaps and enabling the anticipation of any possible risk of double funding.

Both the Partnership Agreements for 2021-2027 programmes and the national Recovery and Resilience Plans (RRPs) envisage a description on the complementarities with other instruments. This is used as a basis for further coordination arrangements to make sure that complementarities are ensured and synergies are harnessed between the different instruments.

DG REGIO and DG EMPL services were duly associated to the assessment of the RRP proposed by the Member States under the RRF, thus ensuring full synergy and knowledge about the Member States' objectives under RRF and cohesion policy funds. Moreover, as part of the Operational Arrangements signed with the Commission, Member States also commit to jointly organise an annual event with stakeholders to discuss complementarity, synergy, coherence and consistency between the implementation of the RRP and the other EU programmes.³

² See ECA observation 36 and box 2

³ See ECA observation 40

3. Monitoring and reporting

With the aim of providing more transparency and accountability on the use of cohesion policy funding in relation to healthcare (including vaccination), business support and, short-time working schemes, the Commission has published a set of 32 non-mandatory COVID-19 indicators. They have been widely taken up by the Member States, helping the authorities and Commission to monitor and to assess how cohesion policy funding, including from REACT-EU resources, was used in the context of the pandemic.

The Commission remains committed to keeping its citizens informed on all public spending. For this reason, the Commission set up three interactive dashboards under the Open Data Platform⁴ on the Member States' use of cohesion policy funding during the crisis. The dashboard contains information on Member States' expenditure, in particular in the main fields – **health, business and direct support to people**.⁵

III. COMMISSION REPLIES TO THE RECOMMENDATIONS OF THE ECA

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

Target implementation date: By the end of 2024

The Commission accepts the recommendation.

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

Target implementation date: Immediately

The Commission accepts the recommendation.

The Commission will continue to monitor and to provide support to the Managing Authorities in relation to the implementation of REACT-EU priorities. In that context the Commission will identify programmes encountering spending difficulties and work with the programme authorities to maximise the potential of the REACT-EU resources. Following the principle of shared management, it is for the Member States to ensure that the cofinanced operations effectively contribute to the achievement of objectives and performance targets.

⁴ Coronavirus dashboard: EU cohesion policy response - REACT-EU dashboard - Overview of cohesion policy coronavirus indicators

⁵ See ECA observations 73-79