



Press Release

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REACT-EU recovery funding: tension between swift support and value for money, say Auditors

The European Commission's REACT-EU proposal to top up cohesion funding for EU countries by €58 billion in the crucial first few years of the Covid-19 recovery aims to mobilise investment and frontload financial support. In a new opinion published today, the European Court of Auditors (ECA) points out a tension between the proposal's aim of providing the extra funding as swiftly as possible and the goal of making it available where it is needed most and will have most effect. The auditors also warn that the crisis response mechanisms the Commission is proposing for the next seven-year budget lack provisions conducive to the sound financial management of EU funds.

The EU has put forward a €750 billion package known as 'Next Generation EU' to support Member States in their efforts to minimise the socioeconomic impact of the pandemic and get back on a path of sustainable growth. The package includes the Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU), as part of the 2014-2020 budget period, intended to lay the groundwork for the EU's recovery in 2020-2022. In addition, the Commission proposed new rules for the European Structural and Investment (ESI) funds in the 2021-2027 budget period, which aim to provide mechanisms that can be triggered quickly in the event of further shocks in the coming years. The auditors assessed both of these proposals.

"After the Covid-19 outbreak, the Commission took action on a number of fronts, including quickly mobilising additional funds and proposing new funding rules," said Iliana Ivanova, the ECA Member responsible for the opinion. "These measures are welcome, but need to be well coordinated at EU and national levels to be effective."

The auditors commend the Commission's proposal to administer the REACT-EU funding under existing ESI funds structures in Member States, which they say is "a sensible, pragmatic idea." However, the proposal gives Member States a free hand in terms of how to use the additional funding and lacks detail on how it will be coordinated with other EU instruments and national schemes. This creates the risk of fragmenting or duplicating EU support. Furthermore, Member States would need to commit the extra funding (i.e. earmark it for specific purposes) by 2022, which will put extra pressure on their ability to spend it correctly and soundly, leading to the risk of rushed spending that prioritises absorption over value for money ('use it or lose it') and higher

The purpose of this press release is to convey the main messages of the European Court of Auditors' opinion. The full opinion is available at eca.europa.eu.

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risk of irregularity and fraud. This risk applies particularly to Member States likely to be hit hardest by the pandemic, which have lower absorption rates. Finally, the auditors stress that the new method for allocating the funding to Member States may be distorted by their underestimated unemployment figures.

The proposed modifications of the common provisions governing the use of ESI funds in 2021–2027 aim to strengthen the EU’s capacity to respond to exceptional and unusual circumstances. They would apply to any situation the Council recognises as a crisis and enable the Commission temporarily to react faster by using ‘implementing decisions’. However, the Commission’s proposal does not specify when its temporary empowerment would end, nor does it set out a number of aspects conducive to sound financial management, such as mitigating the risk of ‘deadweight’ (funding projects that would have been completed anyway) from retrospective project approval. The Commission may thus need to add further rules relating to crisis situations as and when they arise. On the positive side, the proposal brings improved provisions for tracking emergency funding, which is a first step towards more transparency.

Notes to editors

For the 2020–2022 period, the Commission is proposing an additional €58 272 800 000, in current prices.

The ECA’s Opinion 4/2020 regarding the proposed REACT-EU regulation and Common Provisions Regulation governing the ESI funds is currently available on the ECA website (eca.europa.eu) in English; other languages will follow shortly. The European Parliament and Council requested an opinion on each proposal, in line with the Treaty on the Functioning of the EU. To provide a rapid response, the ECA has published these opinions as a single document.

The ECA contributes to improving EU financial governance by publishing opinions on proposals for new or revised legislation with a financial impact. The opinions are used by the legislative authorities — the European Parliament and the Council — in their work. In 2019, the auditors published “[Remarks in Brief](#)” on the Commission’s 2018 proposals for the next MFF. They issued an [opinion](#) in April 2020 on the proposal for exceptional flexibility in using the ESI funds for the COVID-19 crisis, which will be followed shortly by further COVID-19-related opinions. Information on the ECA’s measures in response to the COVID-19 pandemic can be found [here](#).

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