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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee
No. Cion doc.:	COM(2020) 451 final
Subject:	REACT-EU Regulation: Update following the EUCO conclusions of July 2020 - Mandate for negotiations with the European Parliament

I. INTRODUCTION

1. On 28 May 2020, following the COVID-19 outbreak, the Commission adopted a proposal for a Regulation amending Regulation (EU) No 1303/2013 as regards exceptional additional resources and implementing arrangements under the Investment for growth and jobs goal to provide assistance for fostering crisis repair in the context of the COVID-19 pandemic and preparing a green, digital and resilient recovery of the economy, known as REACT-EU[1].

[1] Doc. 8408/20 + ADD1.

2. The overarching objective of REACT-EU is to prevent the widening of disparities and uneven recovery processes between Members States and regions, to reinforce their crisis response capacity and to help their economies and societies to prepare the foundations for a swift recovery.

3. The Commission proposal for REACT-EU was presented to the Structural Measures Working Party under the Croatian Presidency. The detailed examination of REACT-EU took place under the Croatian and German Presidencies. The Permanent Representatives Committee endorsed a (partial) mandate for negotiations with the European Parliament on REACT-EU on 22 July 2020[2].

4. The partial mandate for negotiations has to be updated to take account of the European Council Conclusions adopted in the special meeting of the European Council of 17, 18, 19, 20 and 21 July 2020.

II. WORK WITHIN THE COUNCIL

5. Updates reflecting the European Council Conclusions were discussed in the Structural Measures Working Party in its meetings on 8, 11, 15, 18 and 28 September 2020.

6. Substantial progress has been made on those updates of REACT-EU at working party level. Following the Structural Measures Working Party on 28 September, **the Presidency is of the view that, based on the principle that "nothing is agreed until everything is agreed", a balanced compromise text has emerged which has been supported by a majority of Member States.**

III. WAY FORWARD

7. The Permanent Representatives Committee is, therefore, invited to agree on a mandate for negotiations with the European Parliament and to confirm the compromise proposed by the Presidency on the REACT-EU Regulation, including the elements from the July European Council Conclusions, as set out in the Annex to this note.

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[2] Doc. 9426/20.

ANNEX

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

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

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to the proposal from the European Commission,

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

Having regard to the opinion of the European Economic and Social Committee[3],

Having regard to the opinion of the Committee of the Regions[4],

Having regard to the opinion of the Court of Auditors,

Acting in accordance with the ordinary legislative procedure,

Whereas:

[3] OJ C , , p. .
[4] OJ C , , p. .

(1) Member States have been affected by the crisis due to the consequences of the COVID-19 pandemic in an unprecedented manner. The crisis hampers growth in Member States, which in turn aggravates the serious liquidity shortages due to the sudden and important increase in public investments needed in their health systems and other sectors of their economies. This has created an exceptional situation which needs to be addressed with specific measures.

(2) In order to respond to the impact of the crisis, Regulations (EU) No 1303/2013 and (EU) No 1301/2013 were amended on 30 March 2020 to allow more flexibility in the implementation of the operational programmes supported by the European Regional Development Fund ('ERDF'), the European Social Fund ('ESF') and the Cohesion Fund (the 'Funds') and by the European Maritime and Fisheries Fund ('EMFF'). However, as the serious negative effects on Union economies and societies worsened, both Regulations were amended again on 23 April 2020 to provide exceptional additional flexibility to enable the Member States to concentrate on the necessary response to the unprecedented crisis by enhancing the possibility to mobilise non-utilised support from the Funds and by simplifying procedural requirements linked to programme implementation and audits.

(3) In order to redress huge shocks to the economy stemming from the exceptional restrictions put in place by Member States to contain the COVID-19 spreading and the risks of an asymmetric recovery stemming from the different national means available in different Member States resulting in serious impacts on the functioning of the Internal Market, the European Council endorsed on 23 April 2020 the “Roadmap for recovery” with a strong investment component, called for the establishment of the European Recovery Fund and mandated the Commission to analyse the needs so that the resources would be targeted towards the sectors and geographical parts of the Union most affected, while clarifying also the link with the Multiannual Financial Framework for 2021-2027.

(4) In accordance with Regulation [European Recovery Instrument] and within the limits of resources allocated therein, recovery and resilience measures under the European Investment and Structural Funds should be carried out to address the unprecedented impact of the COVID-19 crisis. Such additional resources should be used to ensure compliance with the time limits provided for in Regulation [ERI].

(5) An additional exceptional amount of up to EUR 47 500 000 000 (in 2018 prices) for budgetary commitment from the Structural Funds under the Investment for growth and jobs goal, for the years 2021 and 2022 should be made available to support Member States and regions most impacted in crisis repair in the context of the COVID-19 pandemic or preparing a green, digital and resilient recovery of the economy, with a view to deploying resources quickly to the real economy through the existing operational programmes. Resources for 2021 and 2022 stem from the European Union Recovery Instrument. Part of the additional resources should be allocated to technical assistance at the initiative of the Commission. The Commission should set out the breakdown of the remaining additional resources for each Member State on the basis of an allocation method based on the latest available objective statistical data concerning Member States' relative prosperity and the extent of the effect of the current crisis on their economies and societies. Before the application of the allocation method concerning the additional resources for the year 2021 and for support to the most important sectors following the COVID-19 crisis in certain Member States, an amount of EUR 100 000 000 and EUR 50 000 000 shall be allocated to Luxembourg and Malta respectively. The allocation method should include a dedicated additional amount for the outermost regions given the specific vulnerability of their economies and societies. In order to reflect the evolving nature of the effects of the crisis, the breakdown should be revised in 2021 on the basis of the same allocation method using the latest statistical data available by 19 October 2021 to distribute the 2022 tranche of the additional resources.

(5a) Reflecting the importance of tackling climate change in line with the Union's commitments to implement the Paris Agreement and the United Nations Sustainable Development Goals, the Funds will contribute to mainstream climate actions and to the achievement of an overall target of 30% of the EU budget expenditure supporting climate objectives. REACT-EU is expected to contribute 25% of the overall financial envelope to climate objectives. In line with the nature of REACT-EU as crisis-repair instrument and the flexibility provided by this Regulation, including the lack of thematic concentration requirements and the possibility for Member States to direct REACT-EU resources to ERDF or ESF-type of operations according to their needs, the level of Member States' contributions towards this ambition may differ reflecting national priorities.

(6) Horizontal financial rules adopted by the European Parliament and the Council on the basis of Article 322 of the Treaty on the Functioning of the European Union apply to this Regulation. These rules are laid down in the Financial Regulation and determine in particular the procedure for establishing and implementing the budget through grants, procurement, prizes, indirect implementation, and provide for checks on the responsibility of financial actors. Rules adopted on the basis of Article 322 TFEU also concern other conditionalities to protect the budget [and the European Union Recovery Instrument (the 'European Recovery Instrument')].

(7) In order to allow maximum flexibility to Member States for tailoring crisis repair actions in the context of the COVID-19 pandemic or preparing a green, digital and resilient recovery of the economy, allocations should be established by the Commission at Member State level. Furthermore, the possibility for using any additional resources to support aid for the most deprived should also be provided for. In addition, it is necessary to establish ceilings concerning the allocation to technical assistance at the initiative of the Member States while allowing maximum flexibility to the Member States as to its allocation within operational programmes supported by the ERDF or the ESF. It should be clarified that there is no need to respect the ESF minimum share for the additional resources. Taking account of the expected quick spending of the additional resources, the commitments linked to those additional resources should only be decommitted at the closure of the operational programmes.

(8) Possibilities for financial transfers under the 'Investment for growth and jobs' goal between the ERDF and the ESF should also be introduced for the additional resources in accordance with Article 25a of Regulation (EU) No 1303/2013. Such transfers should affect neither the resources available under the European territorial cooperation goal nor the specific allocation for the Youth Employment Initiative.

(9) In order to complement the actions already available under the scope of support of the ERDF, as extended by Regulations (EU) 2020/460 and (EU) 2020/558 of the European Parliament and of the Council[5], Member States should continue to be allowed to use the additional resources primarily for investments in products and services for health services, for providing support in the form of working capital or investment support to SMEs, in operations contributing to the transition towards a digital and green economy, infrastructure providing basic services to citizens or economic support measures for those regions most dependent on sectors most affected by the crisis. Technical assistance should also be supported. It is appropriate that the additional resources are focused exclusively under the new thematic objective "Fostering crisis repair in the context of the COVID-19 pandemic and preparing a green, digital and resilient recovery of the economy", which should also constitute a single investment priority, to allow for simplified programming and implementation of the additional resources.

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

(10) For the ESF, Member States should primarily use the additional resources to support job maintenance, including through short-time work schemes and support to self-employed, job creation, in particular for people in vulnerable situations, support to youth employment measures, education and training, skills development and to enhance access to social services of general interest, including for children. It should be clarified that in the present exceptional circumstances support to short-time work schemes for employees and the self-employed in the context of the COVID-19 pandemic can be provided even when that support is not combined with active labour market measures, unless the latter are imposed by national law. Union support to those short-time work schemes should be limited in time.

(11) In order to ensure that Member States have sufficient financial means to swiftly implement crisis repair actions in the context of the COVID-19 pandemic and preparing a green, digital and resilient recovery of the economy, it is necessary to provide a higher level of initial pre-financing payment for the quick implementation of actions supported by the additional resources. The initial pre-financing to be paid should ensure that Member States have the means to arrange for advance payments to beneficiaries where necessary and to reimburse beneficiaries quickly following the submission of payment claims.

(12) Member States should have the flexibility to allocate the additional resources to new dedicated operational programmes or new priority axes within existing programmes. In order to allow quick implementation, only already designated authorities of existing operational programmes supported by the ERDF, the ESF, or the Cohesion Fund are allowed to be identified for new dedicated operational programmes. An ex ante evaluation by the Member States should not be required and the elements required for the submission of the operational programme to the Commission's approval should be limited.

(13) With a view to alleviating the burden on public budgets regarding crisis repair in the context of the COVID-19 pandemic and preparing a green, digital and resilient recovery of the economy, expenditure for operations should be eligible as of 1 February 2020 and Member States should be given the exceptional possibility to request a co-financing rate of up to 100 % to be applied to the separate priority axes of operational programmes providing support from the additional resources.

(14) In order to enable Member States to deploy the additional resources for crisis repair quickly in the context of the COVID-19 pandemic and preparing a green, digital and resilient recovery of the economy within the current programming period, it is justified to exempt, on an exceptional basis, Member States from the need to comply with ex ante conditionalities and requirements on the performance reserve and application of the performance framework, on thematic concentration, also in relation to the thresholds established for sustainable urban development for the ERDF, and requirements on preparation of a communication strategy for the additional resources. It is nevertheless necessary that Member States carry out at least one evaluation by 31 December 2024 to assess the effectiveness, efficiency and impact of the additional resources as well as how they contributed to achieving the goals of the new dedicated thematic objective. To facilitate the availability of comparable information at Union level, Member States are encouraged to make use of the programme-specific indicators made available by the Commission. In addition, while carrying out their responsibilities linked to information, communication and visibility, Member States and managing authorities should enhance the visibility of the exceptional measures and resources introduced by the Union, in particular by ensuring that potential beneficiaries, beneficiaries, participants, final recipients of financial instruments and the general public are aware of the existence, volume and additional support stemming from the additional resources.

(15) With a view to allow the targeting of these additional resources to the geographic areas where they are most needed, as an exceptional measure and without prejudice to the general rules for allocating Structural Funds resources, the additional resources allocated to the ERDF and the ESF are not to be broken down per category of region. However, Member States are expected to take into account the different regional needs and development levels in order to ensure that focus is maintained on less developed regions, in accordance with the objectives of economic, social and territorial cohesion set out in Article 173 TFEU. Member States should also involve local and regional authorities, as well as relevant bodies representing civil society, in accordance with the partnership principles.

(16) In order to facilitate the transfers authorised by the changes introduced under this Regulation, the condition laid down in Article 30(1)(f) of the Financial Regulation regarding the use of appropriations for the same objective should not apply in respect of those transfers.

(17) Since the objectives of this Regulation, namely to respond to the impact of the public health crisis by introducing flexibility measures in the field of providing support from the European Structural and Investment Funds, cannot be sufficiently achieved by the Member States alone and can therefore, by reason of the scale and effects of the proposed action, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary to achieve those objectives.

(18) Given the urgency of the situation related to the COVID-19 pandemic, this Regulation should enter into force on the day following that of its publication in the *Official Journal of the European Union*.

(19) In view of the COVID-19 pandemic and the urgency to address the associated public health crisis, it is considered necessary to use the exception to the eight-week period referred to in Article 4 of Protocol No 1 on the role of national Parliaments in the European Union, annexed to the Treaty on European Union, to the Treaty on the Functioning of the European Union and to the Treaty establishing the European Atomic Energy Community.

(20) Regulation (EU) No 1303/2013 should therefore be amended accordingly.

(21) Article 135(2) of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community[6] provides that amendments to Council Regulation (EU, Euratom) No 1311/2013[7] or Council Decision 2014/335/EU, Euratom[8] that are adopted on or after the date of entry into force of that Agreement shall not apply to the United Kingdom insofar as those amendments have an impact on the United Kingdom's financial obligations. The support under this Regulation for 2021 and 2022 is financed from an increase of the own resources ceiling of the Union, which would have an impact on the United Kingdom's financial obligation. Therefore, this Regulation should not apply to and in the United Kingdom,

HAVE ADOPTED THIS REGULATION:

Article 1

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

[Paragraph 1 is deleted]

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

"*Article 92a*

Resources from the European Union Recovery Instrument

Measures referred to in Article 1(2) of Regulation [ERI] shall be implemented under the Structural Funds with an amount of up to EUR 47 500 000 000 in 2018 prices referred to in Article 2(2)(a)(i) of that Regulation, subject to its Article 3(3), (4), (7) and (9).

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6 OL L 29, 31.1.2020, p. 7.

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

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

These additional resources for 2021 and 2022 shall constitute external assigned revenue as set out in Article 3(1) of Regulation [ERI].

Article 92b

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

1. The additional resources referred to in Article 92a ('the additional resources') shall be made available under the Investment for growth and jobs goal to provide assistance for fostering crisis repair in the context of the COVID-19 pandemic and preparing a green, digital and resilient recovery of the economy (REACT-EU). The additional resources shall be used to implement technical assistance pursuant to paragraph 6 of this Article and the operations implementing the thematic objective in paragraph 9 of this Article.

2. The additional resources referred to in Article 92a shall be made available for budgetary commitment for the years 2021 to 2022 in addition to the global resources set out in Article 91 as follows:

   – 2021: EUR 37 500 000 000;
   – 2022: EUR 10 000 000 000.

   These resources shall also support administrative expenditure up to EUR 18 000 000 in 2018 prices.

3. 0.35% of the additional resources shall be allocated to technical assistance at the initiative of the Commission.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6. Up to 4% of the total additional resources under the ERDF and the ESF may be allocated to technical assistance under any existing operational programme supported from the ERDF or the ESF or a new operational programme or operational programmes referred to in paragraph 10.

7. By way of derogation from Article 81(1) and Article 134(1), an initial pre-financing shall be paid following the Commission decision adopting an operational programme or approving the amendment to an operational programme for the allocation of the additional resources of 7% of the additional resources allocated to programmes for the year 2021 under the new thematic objective referred to in paragraph 9 of this Article. For the purpose of applying Article 134(2) for the annual pre-financing in the years 2021, 2022 and 2023, the amount of the support from the Funds for the whole programming period to the operational programme shall include the additional resources.

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

8. The additional resources not allocated to technical assistance shall be used under the thematic objective set out in paragraph 9 to support operations fostering crisis repair in the context of the COVID-19 pandemic or preparing a green, digital and resilient recovery of the economy.

   Member States may allocate the additional resources either to one or more separate priority axes within an existing operational programme or programmes or to new operational programmes referred to in paragraph 10. By way of derogation from Article 26(1), the programme shall cover the period until 31 December 2022, subject to paragraph 4 above.

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

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

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

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

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

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

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

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

10. By way of derogation from Article 26(4), new dedicated operational programmes may be drawn up by Member States under the new thematic objective referred to in paragaph 9. No ex ante evaluation as set out in Article 55 shall be required.

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

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

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

10a. By way of derogation from Article 65(9), expenditure for operations supported under the thematic objective set out in paragraph 9 shall be eligible as of 1 February 2020.

11. By way of derogation from the first and second subparagraphs of Article 120(3), a co-financing rate of up to 100% may be applied to the priority axis or axes supported by the additional resources programmed under the thematic objective referred to in paragraph 9 of this Article.

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

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

(a) requirements on thematic concentration including thresholds established for sustainable urban development as set out in this Regulation or the Fund-specific rules, by way of derogation from Article 18;

(b) ex ante conditionalities, by way of derogation from Article 19 and the Fund-specific rules;

(c) requirements on the performance reserve and application of the performance framework, by way of derogation from Articles 20 and 22 respectively;

[point (d) is deleted]

(e) the derogation provided in Article 25a(7) for the selection of operations fostering crisis response capacities in the context of the COVID-19 outbreak as referred to in the second sub-paragraph of Article 65(10);

(f) requirements to prepare a communication strategy, by way of derogation from Article 116 and point (a) of Article 115(1).

13. While carrying out their responsibilities linked to information, communication and visibility in accordance with Article 115(1) and (3) and with Annex XII, Member States and managing authorities shall ensure that potential beneficiaries, beneficiaries, participants, final recipients of financial instruments and the general public are aware of the existence, volume and additional support stemming from the additional resources.

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

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

"Article 92a and Article 92b shall not apply to and in the United Kingdom. References to Member States in those provisions shall be understood as not including the United Kingdom."

4. A new Annex VIIa is added.

Article 2

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

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

Done at Brussels,

For the European Parliament	For the Council
The President	*The President*

ANNEX

A new Annex VIIa is added :

"ANNEX VIIa

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

Allocation method for the exceptional additional resources

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

1. Each Member State's provisional share from the additional resources is determined as the weighted sum of the shares determined on the basis of the following criteria, weighted as indicated:

   a) A factor of GDP (weighting of 2/3) obtained by applying the following steps:

      i) share of each Member State of the total loss of real seasonally adjusted GDP expressed in EUR between the first semester of 2019 and the end of the applicable reference period for all Member States considered;

      ii) adjustment of the shares so obtained by dividing them with the Member State's GNI per capita expressed as a percentage of the average GNI per capita of the EU-27 (average expressed as 100%).

   b) A factor of unemployment (weighting of 2/9) expressed as the weighted average of:

      i) the share of the Member State in the total number of unemployed (weighting of 3/4) for all Member States considered in January 2020, as well as

ii) the share of the Member State in the total increase in the number of persons unemployed (weighting of 1/4) between January 2020 and the end of the applicable reference period for all Member States considered.

c) A factor of youth unemployment (weighting of 1/9) expressed as the average of:

i) the share of the Member State in the total number of young persons unemployed (weighting of 3/4) for all Member States considered in January 2020, as well as

ii) the share of the Member State in the total increase in the number of young persons unemployed (weighting of 1/4) between January 2020 and the applicable reference period for all Member States considered.

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

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

2. The rules described in paragraph 1 shall not result in allocations per Member State for the whole period 2021 to 2022 higher than

a) for Member States whose average GNI per capita (in PPS) for the period 2015-2017 is above 109% of the EU-27 average: 0.07% of their real GDP of 2019;

b) for Member States whose average GNI per capita (in PPS) for the period 2015-2017 is equal to or below 90% of the EU-27 average: 2.60% of their real GDP of 2019;

c) for Member States whose average GNI per capita (in PPS) for the period 2015-2017 is above 90% and equal to or below 109% of the EU-27 average: the percentage is obtained through a linear interpolation between 0.07% and 2.60% of their real GDP of 2019 leading to a proportional reduction of the capping percentage in line with the increase in prosperity.

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

3. For the purposes of calculating the distribution of the exceptional additional resources for the year 2021:

a) For GDP the reference period shall be: the first semester of 2020;

b) For the number of people unemployed and the number of young people unemployed the reference period shall be: the average of June to August 2020;

c) The maximum allocation resulting from the application of paragraph 2 is multiplied by the share of the additional resources for the year 2021 in the total additional resources for the years 2021 and 2022.

Before the application of the method described in paragraphs 1 and 2 concerning the additional resources for the year 2021, an amount of EUR 100 000 000 and EUR 50 000 000 shall be allocated to Luxembourg and Malta respectively. Additionally, an amount corresponding to an aid intensity of EUR 30 per inhabitant will be allocated to the outermost NUTS level 2 regions from the allocation. That allocation will be distributed per region and Member State in a manner proportional to the total population of those regions. The remaining amount for the year 2021 will be distributed among Member States in accordance with the method described in paragraphs 1 and 2.

4. For the purposes of calculating the distribution of the exceptional additional resources for the year 2022:

   a) For GDP the reference period shall be: the first semester of 2021;

   b) For the number of people unemployed and the number of young people unemployed the reference period shall be: the average of June to August 2021;

   c) The maximum allocation resulting from the application of paragraph 2 is multiplied by the share of the additional resources for the year 2022 in the total additional resources for the years 2021 and 2022.