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INFORMATION NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
Subject:	Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation (EU) No 223/2014 as regards the introduction of specific measures for addressing the COVID-19 crisis - Outcome of the European Parliament's first reading (Brussels, 18 to 21 January 2021)

I. INTRODUCTION

A number of informal contacts have taken place between the Council, the European Parliament and the Commission with a view to reaching an agreement on this file at first reading.

In this context, the rapporteur, Lucia Ďuriš Nicholsonová (ECR, SK), presented a compromise amendment (amendment number 14) to the abovementioned proposal for a Regulation on behalf of Employment and Social Affairs Committee. This amendment had been agreed during the informal contacts referred to above. No other amendments were tabled

II. VOTE

When it voted on 20 January 2021, the plenary adopted the compromise amendment (amendment number 14) to the abovementioned proposal for a Regulation. The Commission's proposal as thus amended constitutes the Parliament's first-reading position which is contained in its legislative resolution of 21 January 2021 as set out in the Annex hereto[1].

The Parliament's position reflects what had been previously agreed between the institutions. The Council should therefore be in a position to approve the Parliament's position.

The act would then be adopted in the wording which corresponds to the Parliament's position.

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[1] The version of the Parliament's position in the legislative resolution has been marked up to indicate the changes made by the amendments to the Commission's proposal. Additions to the Commission's text are highlighted in ***bold and italics.*** The symbol " ▌ " indicates deleted text.

ANNEX

(21.1.2021)

FEAD: specific measures to address the COVID-19 crisis ***I

European Parliament legislative resolution of 21 January 2021 on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No 223/2014 as regards the introduction of specific measures for addressing the COVID-19 crisis (COM(2020)0223 – C9-0151/2020 – 2020/0105(COD))

(Ordinary legislative procedure: first reading)

The European Parliament,

– having regard to the Commission proposal to Parliament and the Council (COM(2020)0223),

– having regard to Article 294(2) and the third paragraph of Article 175 of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C9-0151/2020),

– having regard to Article 294(3) of the Treaty on the Functioning of the European Union,

– having regard to the opinion of the European Economic and Social Committee of 10 June 2020[2],

– after consulting the Committee of the Regions,

– having regard to the provisional agreement approved by the responsible committee under Rule 74(4) of its Rules of Procedure and the undertaking given by the Council representative by letter of 18 December 2020 to approve Parliament's position, in accordance with Article 294(4) of the Treaty on the Functioning of the European Union,

– having regard to Rule 59 of its Rules of Procedure,

[2] OJ C 311, 18.9.2020, p. 82.

– having regard to the report of the Committee on Employment and Social Affairs (A9-0174/2020),

1. Adopts its position at first reading hereinafter set out;

2. Calls on the Commission to refer the matter to Parliament again if it replaces, substantially amends or intends to substantially amend its proposal;

3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

P9_TC1-COD(2020)0105

Position of the European Parliament adopted at first reading on 21 January 2021 with a view to the adoption of Regulation (EU) 2021/… of the European Parliament and of the Council amending Regulation (EU) No 223/2014 as regards the introduction of specific measures for addressing the *crisis associated with the outbreak of* COVID-19 ▌

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 the third paragraph of Article 175 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],

After consulting the Committee of the Regions,

Acting in accordance with the ordinary legislative procedure[4],

[3] OJ C 311, 18.9.2020, p. 82.
[4] Position of the European Parliament of 21 January 2021.

Whereas:

(1) Regulation (EU) No 223/2014 of the European Parliament and of the Council[5] lays down the rules applicable to the Fund for European Aid to the Most Deprived (***the 'Fund'***).

(2) On 17 November 2017, the European Pillar of Social Rights (the 'Pillar') was proclaimed jointly by the European Parliament, the Council and the Commission as a response to social challenges in the Union. The Pillar sets out 20 ▌ principles, which are divided into three categories: equal opportunities and access to the labour market; fair working conditions; and social protection and inclusion. Those 20 principles ▌ should guide the actions in response to the ***crisis associated with the outbreak of*** COVID-19 ▌ in order to ensure a socially fair ***and resilient*** recovery.

[5] Regulation (EU) No 223/2014 of the European Parliament and of the Council of 11 March 2014 on the Fund for European Aid to the Most Deprived (OJ L 72, 12.3.2014, p. 1).

(3) Member States have been affected by the ***crisis associated with the outbreak of*** COVID-19 ▌ in an unprecedented manner. The crisis has led to severe economic and social consequences ***and has exacerbated the situation of more than 20 % of the Union population who are at risk of poverty or social exclusion, has deepened social divides, and has increased job losses, unemployment rates and inequalities.*** This has created an exceptional situation which needs to be addressed ***urgently,*** with specific measures in line with the Pillar. ***The crisis also has a disproportionate socio-economic impact on women and girls and is leading to an increasing feminisation of poverty. The Commission and Member States should continue to ensure equality between men and women and the integration of both the non-discrimination principle and the gender perspective during the different stages and in all activities of the Fund, in line with the Charter of Fundamental Rights of the European Union.***

(4) ***The COVID-19 crisis is having*** a ***particularly negative*** impact on the ***Fund and the ability of partner organisations to deliver support to the people most heavily affected by the crisis***. ***Since its establishment in 2014, the Fund has been able to benefit 13 million people a year, including approximatively 4 million children. Unfortunately,*** the number of people suffering from food and material deprivation has been increasing due to the crisis ▌ and ▌ the most deprived ***persons*** are ***facing*** particular risks and further hardships ▌. ***Furthermore, the crisis puts the social inclusion of the most deprived persons at higher risk.*** Member States are ***thus*** facing an increase in the demand for support by the Fund.

(5) In order to redress the huge shocks to the economy ***and society, which have triggered additional demands on the welfare systems of Member States*** and have ***seriously affected*** the functioning of the internal market due to exceptional restrictions that have been put in place by Member States to contain the ***outbreak of*** COVID-19 ▌, the European Council ***welcomed,*** on 23 April 2020, a 'Roadmap for recovery' with a strong investment component, called for the establishment of a European ***Union*** Recovery Instrument and ***tasked*** the Commission to analyse the needs so that the resources could be targeted towards the sectors and geographical parts of the Union most affected, while also clarifying the link with the Multiannual Financial Framework for 2021-2027.

(6) ▌ Regulation ***(EU) 2020/2221 of the European Parliament and of the Council***[6] ***unlocks*** additional resources to support Member States in ***their*** crisis repair ***actions*** in the context of the outbreak of COVID-19 and ***in*** preparing the ***social, resilient and sustainable*** recovery of the economy ***and society***. ▌ In order to provide for an effective response to the social impact of the outbreak of COVID-19 on the most deprived ***persons***, ***that Regulation provides for the allocation of additional resources to the Fund where a Member State so decides and in accordance with its needs***. In doing so, Member States should pay due attention to the increase in the number of ▌ the most deprived ***persons*** since the ***outbreak of*** COVID-19, ***take into account the vital role of the European Social Fund (ESF) in eradicating poverty and fighting social exclusion, and maintain ESF's operational strength***. In addition, it is necessary to establish ceilings concerning the allocation of the additional resources to technical assistance of the Member State. Taking account of the expected rapid spending of the additional resources, the commitments linked to those additional resources should also be decommitted at the closure of the programmes. ▌

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6 Regulation (EU) 2020/2221 of the European Parliament and of the Council of 23 December 2020 amending Regulation (EU) No 1303/2013 as regards additional resources and implementing arrangements to provide assistance for fostering crisis repair in the context of the COVID-19 pandemic and its social consequences and for preparing a green, digital and resilient recovery of the economy (REACT-EU) (OJ L 437, 28.12.2020, p. 30).

(7) Horizontal financial rules adopted by the European Parliament and by the Council on the basis of Article 322 of the Treaty on the Functioning of the European Union ***(TFEU)*** apply to this Regulation. Those rules are laid down in Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council[7], 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 ***include a general regime of conditionality for*** the protection of the Union budget.

(8) When measures are adopted to protect the Union budget, it is essential that the legitimate interests of final recipients and beneficiaries should be properly safeguarded.

(9) In order to ensure that Member States have sufficient financial means to swiftly implement crisis repair actions in ***light*** of the ***impact of the*** COVID-19 ***crisis on poverty and social exclusion*** and prepare ***for a social, resilient and sustainable*** recovery of the economy ***and society***, it is necessary to provide a higher level of pre-financing payment for the quick implementation of actions supported by the additional resources. The magnitude of the pre-financing should ensure that Member States have the means to arrange for advance payments to beneficiaries ***as early as possible in order to provide them with immediate relief,*** and to reimburse beneficiaries quickly following the submission of payment claims.

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[7] Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU), Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1).

(10) With a view to alleviating the burden on public budgets regarding crisis repair actions in the context of the outbreak of COVID-19 and preparing ***a social, resilient and sustainable*** recovery of the economy ***and society***, it is appropriate that ***Member States be given the exceptional possibility to request a co-financing rate of up to 100 % to be applied to support from*** the additional resources.

(11) In order to ensure that Member States can quickly adjust the measures under the ***Fund*** in response to ***the outbreak of*** COVID-19 ▌, it is appropriate to lay down specific provisions clarifying the scope of technical assistance.

(12) In accordance with Council Regulation (EU) 2020/2094[8] and within the limits of the resources allocated thereby, measures under this Fund should be carried out to address the unprecedented impact of the COVID-19 crisis. The additional resources should be used in compliance with the time limits provided for in that Regulation and subject to the relevant conditions set out therein and in Regulation (EU) 2020/2221.

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8 Council Regulation (EU) 2020/2094 of 14 December 2020 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis (OJ L 433I , 22.12.2020, p. 23).

(13) Since the objective of this Regulation, namely to respond to the impact of the ***outbreak of COVID-19 and its socio-economic consequences*** on the most deprived ***persons***, cannot be sufficiently achieved by the Member States ***but*** can ***rather***, by reason of ***its*** scale and effects, ▌ 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 that objective.

▌

(14) Given the urgency of the situation related to the outbreak of COVID-19, it is appropriate that this Regulation enters into force on the day following that of its publication in the *Official Journal of the European Union*.

(15) 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[9] provides that amendments to Council Regulation (EU, Euratom) No 1311/2013[10] or to Council Decision 2014/335/EU, Euratom[11] that are adopted on or after the date of entry into force of that Agreement are not to apply to the United Kingdom insofar as those amendments have an impact on the United Kingdom's financial obligations. The support under Article 6a of Regulation (EU) No 223/2014 is financed for 2021 and 2022 from an increase of the own resources ceiling of the Union, which would have an impact on United Kingdom's financial obligations. Therefore, that ***support*** should not apply to or in the United Kingdom**.**

(16) Regulation (EU) No 223/2014 should therefore be amended accordingly,

HAVE ADOPTED THIS REGULATION:

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9 Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (OJ L 29, 31.1.2020, p. 7).

10 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).

11 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).

Article 1

Regulation (EU) No 223/2014 is amended as follows:

(1) Article 6(2) is replaced by the following:

‘2. With the exception of additional resources allocated in response to the outbreak of COVID-19, as referred to in Article 6a, the allocation of the Fund for the period 2014–2020 for every Member State is set out in Annex III. The minimum amount for each Member State shall be EUR 3 500 000 for the whole period.’;

(2) ***the*** following ***article*** is inserted:

‘Article 6a

▌Additional resources in response to the crisis associated with the ***outbreak of*** COVID-19 ▌

1. Where the Member State considers it to be appropriate, the resources referred to in Article 6(1) of this Regulation ***shall*** be increased in response to the crisis associated with the ***outbreak of*** COVID-19 ▌, in accordance with the seventh subparagraph of Article 92b(5) of Regulation (EU) No 1303/2013 of the European Parliament and of the Council* ***and under the relevant conditions laid down in that paragraph***. ***The additional resources shall constitute external assigned revenue as referred to in Article 3(1) of Council Regulation (EU) 2020/2094** and shall be subject to Article 3(3), (4), (7) and (9) thereof.*** The additional resources may affect the budget commitments for ▌2021 and 2022.

2. By way of derogation from Article 7(1), the period for operational programmes benefitting from additional resources in accordance with paragraph 1 of this Article shall be until 31 December 2022.

3. By way of derogation from the first paragraph of Article 38 of this Regulation, the budget commitments for the additional resources in respect of each programme shall be made in the years ▌ 2021 and 2022.

By way of derogation from Article 59(1) of this Regulation, the budget commitments for the additional resources shall be decommitted in accordance with the rules to be followed for the closure of the programmes.

4. In addition to the pre-financing referred to in Article 44(1), the Commission shall pay a pre-financing amount of ***11*** % of the additional resources allocated for the year ***2021*** following the Commission decision approving the amendment to a programme for the allocation of the additional resources.

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

5. By way of derogation from Article 20, ***a co-financing rate of up to 100 % may be applied to the*** additional resources under paragraph 1 of this Article.

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* Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (OJ L 347, 20.12.2013, p. 320).

** Council Regulation (EU) 2020/2094 of 14 December 2020 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis (OJ L 433I , 22.12.2020, p. 23).';

(3) ***in*** Article 27, paragraph 4 is replaced by the following:

‘4. At the initiative of Member States, and subject to a ceiling of 5 % of the Fund allocation at the time of the adoption of the operational programme and 5 % of the additional resources referred to in Article 6a(1), the operational programme may finance preparation, management, monitoring, administrative and technical assistance, audit, information, control and evaluation measures necessary for implementation of the Fund, including the preparation and operating costs of voucher schemes where those costs are borne by the managing authority or another public body that is not a partner organisation. The operational programme may also finance technical assistance and capacity building of partner organisations and any other actors involved in the implementation of the Fund, including for fostering crisis response capacity to address the ***outbreak of*** COVID-19 ▌. The actions referred to in this paragraph may concern the subsequent programming period, including to ensure the continuation of the support by the Fund through other Union funds.’;

(4) ***the*** following ***article*** is inserted:

‘Article 63a

Applicability

Article 6a shall not apply to or in the United Kingdom. References to Member States in that Article shall be understood as not including the United Kingdom.’.

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 ...,

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