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PROPOSAL

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	13 March 2020
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2020) 113 final
Subject:	Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Regulation (EU) No 1303/2013, Regulation (EU) No 1301/2013 and Regulation (EU) No 508/2014 as regards specific measures to mobilise investments in the health care systems of the Member States and in other sectors of their economies in response to the COVID-19 outbreak [Coronavirus Response Investment Initiative]

Delegations will find attached document COM(2020) 113 final.

Encl.: COM(2020) 113 final

EUROPEAN
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Brussels, 13.3.2020
COM(2020) 113 final

2020/0043 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulation (EU) No 1303/2013, Regulation (EU) No 1301/2013 and Regulation (EU) No 508/2014 as regards specific measures to mobilise investments in the health care systems of the Member States and in other sectors of their economies in response to the COVID-19 outbreak

[Coronavirus Response Investment Initiative]

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

The coronavirus crisis, or COVID-19 outbreak, has affected the Member States in a sudden and dramatic manner, with a major potential impact on their societies and their economies. It hampers growth in the Member States as economic activity decelerates sharply. This may be aggravated by liquidity constraints as businesses struggle to pay their suppliers and employees. At the same time, additional public resources are needed to support health care systems and other activities directly linked to the outbreak of the disease.

This has created an exceptional situation which needs to be addressed with specific measures to support and protect Member States' economies, companies and workers. Sizeable and fast interventions are needed in the health care systems to allow it to operate under considerable stress, for SMEs which often have lower margins, in cushioning the negative consequences on labour markets and other vulnerable parts of their economies. This is a matter for the whole EU that necessitates that all available resources, at EU and Member States level, are mobilised to overcome the unprecedented challenges related to the COVID-19 outbreak.

The Commission therefore proposes a "Coronavirus Response Investment Initiative" directed at promoting investments by mobilising available cash reserves in the European Structural and Investments Funds, to fight the crisis immediately. The investment will be sizable and reach more than €37 billion quickly. To achieve this, the Commisson proposes to the European Parliament and the Council to release about €8 billion of investment liquidity.

In order to quickly direct these €37 billion of European public investment to address the consequences of the coronavirus crisis, the Commission proposes to relinquish this year's obligation to request refunding of unspent pre-financing for the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF) and the European Maritime and Fisheries Fund (EMFF) until programme closure.

The Member States shall use the amounts not recovered in 2020 to accelerate investments related to the COVID-19 outbreak under the ERDF and the ESF, the CF and the EMFF. In view of the average co-financing rates across Member States, the €8 billion will be able to trigger the release and use of some €29 billion of structural funding across the EU.

It is proposed that the ERDF can support the financing of working capital in SME where necessary as a temporary measure to provide an effective response to a public health crisis. Financial instruments financed by the Funds should also provide support in the form of working capital to SME if necessary as a temporary measure. The ERDF investment priority to strengthen research, technological development and innovation is modified to cover investment in products and services necessary for fostering the crisis response capacities in public health services. Expenditure for operations for fostering crisis response capacities should be eligible as of 1 February 2020.

Where this leads to a need to modify programmes, the proposal identifies non-substantial modifications that do not require approval by a Commission decision. The proposal also makes clear that expenditure for fostering crisis response capacities shall in any event be eligible as of 1 February 2020. Possibilities to speed up the declaration of expenditure through the use of new forms of support as available under Article 67 of the Common Provisions

Regulatin introduced since 2018, e.g. simplified cost options, should be used to the maximum extent possible.

A Task Force has been setup to coordinate work with Member States, identify their precise needs and assist them so as to ensure that the money starts flowing as soon as possible.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

It is proposed to:

Amend the ERDF Regulation (EU) No 1301/2013 as follows:

(1) In Article 3 (1) of a sub-paragraph is added clarifying that the ERDF may support the financing of working capital in SMEs where necessary as a temporary measure to provide an effective response to a public health crisis;

(2) Article 5 (1) (b) of the same Regulation is modified so that the ERDF investment priority to strengthen research, technological development and innovation can cover investment in products and services necessary for fostering the crisis response capacities in health services;

Amend Regulation (EU) No 1303/2013 (the Common Provisions Regulation) d as follows:

(3) In Article 30 on programme amendments, a new paragraph (5) is added setting out certain amendments that do not require approval through a Commission decision; Article 96 (10) is amended to reflect this;

(4) In Article 37 (4) on financial instruments it is added that financial instruments may also provide support in the form of working capital to SMEs if necessary as a temporary measure to provide an effective response to a public health crisis;

(5) In Article 65 (10) a subparagraph is added to clarify that expenditure for operations for fostering crisis response capacities shall be eligible as of 1 February 2020;

(6) An additional sub paragraph is added in Article 139 (7) to provide for non-recovery of amounts normally due in 2020 for 2014-2020 cohesion policy operational programmes under the Investment for Growth and Jobs Goal and for programmes financed from the EMFF;

Amend the EMFF Regulation (EU) No 508/2014 as follows:

(7) Article 35 is modified to make it possible for the EMFF to contribute to mutual funds which provide financial compensation to fishermen for economic losses caused by a public health crisis, and

(8) Article 57 is modified to add the possibility for the EMFF to safeguard the income of aquaculture producers by contributing to an aquaculture stock insurance covering economic losses due to a public health crisis.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

There was no consultation of external stakeholders.

4. BUDGETARY IMPLICATIONS

The proposed modification does not imply any changes in the Multiannual Financial Framework annual ceilings for commitments and payments as per Annex I of Regulation (EU) No 1311/2013. The annual breakdown of commitment appropriations for the European Regional Development Fund, the European Social Fund and the Cohesion Fund remains unchanged.

The proposal will facilitate an acceleration of the programme implementation resulting in a frontloading of payment appropriations.

The Commission will carefully monitor the impact of the proposed modification on payment appropriations in 2020 taking into account both the implementation of the budget and revised Member States forecasts.

The non-recovered amounts in 2020 will be cleared at programme closure.

2020/0043 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulation (EU) No 1303/2013, Regulation (EU) No 1301/2013 and Regulation (EU) No 508/2014 as regards specific measures to mobilise investments in the health care systems of the Member States and in other sectors of their economies in response to the COVID-19 outbreak

[Coronavirus Response Investment Initiative]

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 43(2), 177 and 178 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[1],

Having regard to the opinion of the Committee of the Regions[2],

Acting in accordance with the ordinary legislative procedure,

Whereas:

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

(2) It is vital that the lack of liquidity and of public funds in the Member States do not hinder investments under programmes supported by the European Regional Development Fund (the 'ERDF'), the European Social Fund (the 'ESF') and the Cohesion Fund (the 'CF') (the 'Funds') and by the European Maritime and Fisheries Fund (the 'EMFF') needed to fight the COVID-19 outbreak.

(3) In order to respond to the impact of the crisis, the ERDF should support the financing of working capital in SMEs where necessary as a temporary measure to provide an effective response to a public health crisis.

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1 OJ C , , p. .
2 OJ C , , p. .

(4) In order to respond to the impact of the crisis, the ERDF investment priority to strengthen research, technological development and innovation should cover investment in products and services necessary for fostering the crisis response capacities in public health services.

(5) In order to provide more flexibility in addressing the COVID-19 outbreak, more flexibility should be provided to Member States in programme implementation and a simplified procedure not requiring a Commission decision should be provided for changes to operational programmes. The information to be submitted to the Commission about such changes should be clarified.

(6) In order to respond to the impact of the crisis, financial instruments financed by the Funds should also provide support in the form of working capital to SMEs if necessary as a temporary measure to provide an effective response to a public health crisis.

(7) In order to provide an immediate response to the impact of the crisis, expenditure for operations for fostering crisis response capacities should be eligible as of 1 February 2020.

(8) In order to ensure that the Member States have sufficient financial means to make the investments needed without delay, it is appropriate for the Commission not to issue recovery orders for amounts recoverable from the Member States for the annual accounts submitted in 2020. Member States should use the amounts not recovered to accelerate investments related to the COVID-19 outbreak crisis and eligible under Regulation (EU) No 1303/2013[3] and the Fund specific rules.

(9) In order to respond to the impact of the crisis, the EMFF should support mutual funds and stock insurance to safeguard the income of fishermen and aquaculture farmers affected by a public health crisis.

(10) The amounts not recovered in 2020 should be cleared or subject to recovery orders at the closure of programmes.

(11) Given the urgency of the support needed, this Regulation should enter into force as a matter of urgency.

(12) Regulations (EU) 1301/2013,[4] (EU) No 1303/2013 and Regulation (EU) No 508/2014[5] should therefore be amended accordingly,

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[3] 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).

[4] Regulation (EU) No 1301/2013 of the European Parliament and of the Council of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006 (OJ L 347, 20.12.2013, p. 289)

[5] Regulation (EU) No 508/2014 of the European Parliament and of the Council of 15 May 2014 on the European Maritime and Fisheries Fund and repealing Council Regulations (EC) No 2328/2003, (EC) No 861/2006, (EC) No 1198/2006 and (EC) No 791/2007 and Regulation (EU) No 1255/2011 of the European Parliament and of the Council

HAVE ADOPTED THIS REGULATION:

Article 1

Amendments to Regulation (EU) No 1301/2013

Regulation (EU) No 1301/2013 is amended as follows:

(1) In Article 3 (1) the following sub-paragraph is added:

"In addition, the ERDF may support the financing of working capital in SMEs where necessary as a temporary measure to provide an effective response to a public health crisis."

(2) Article 5 (1) (b) is replaced by the following :

"(b) promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies as well as fostering investment necessary for strengthening the crisis response capacities in health services"

Article 2

Amendments to Regulation (EU) No 1303/2013

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

(1) In Article 30, the following paragraph 5 is added:

"5. By way of derogation from paragraphs 1 and 2, for the programmes supported by the ERDF, Cohesion Fund and ESF, the Member State may transfer during the programming period an 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 to another priority of the same Fund of the same programme.

Such transfers shall not affect previous years. They shall be considered to be not substantial and shall not require a decision of the Commission amending the programme. They shall however comply with all regulatory requirements and shall be approved by the monitoring committee in advance. The Member State shall notify the revised financial tables to the Commission."

(2) In Article 37(4), the following subparagraph is added:

"Financial instruments may also provide support in the form of working capital to SMEs if necessary as a temporary measure to provide an effective response to a public health crisis."

(3) In Article 65(10), the following subparagraph is added:

"By way of derogation from paragraph (9), expenditure for operations for fostering crisis response capacities in the context of the COVID-19 outbreak shall be eligible as of 1 February 2020."

(4) Article 96(10) is replaced by:

"10. Without prejudice to Article 30 (5), the Commission shall adopt a decision, by means of implementing acts, approving all the elements, including any of its future amendments, of the operational programme falling under this Article, except those falling under points (b)(vi), (c)(v) and (e) of the first subparagraph of paragraph 2, paragraphs 4 and 5, points (a) and (c) of paragraph 6 and paragraph 7, which remain under the responsibility of the Member States"

(5) In Article 139 (7), the following subparagraphs are added:

"By way of derogation from the first subparagraph, the Commission shall not issue a recovery order for amounts recoverable from the Member State for the accounts submitted in 2020. Amounts not recovered shall be used to accelerate investments related to the COVID-19 outbreak and eligible under this Regulation and Fund specific rules.

The amounts not recovered shall be cleared or recovered at closure."

Article 3

Amendments to Regulation (EU) No 508/2014

Regulation (EU) No 508/2014 is amended as follows:

(1) In Article 35, paragraphs 1, 5, 6 and 8 are replaced by the following :

"1. The EMFF may contribute to mutual funds which pay financial compensation to fishermen for economic losses caused by a public health crisis, adverse climatic events or by environmental incidents or for the rescue costs for fishermen or fishing vessels in the case of accidents at sea during their fishing activities."

…

"5. Member States shall define the rules for the establishment and management of the mutual funds, in particular for the granting of compensation payments and the eligibility of fishermen for such compensation in the event of a public health crisis, adverse climatic events, environmental incidents or accidents at sea referred to in paragraph 1, as well as for the administration and monitoring of compliance with those rules. Member States shall ensure that the fund arrangements provide for penalties in the case of negligence on the part of the fisherman."

"6. Public health crises, adverse climatic events, environmental incidents or accidents at sea referred to in paragraph 1 shall be those that are formally recognised by the competent authority of the Member State concerned as having occurred."

…

"8. The contributions referred to in paragraph 1 shall only be granted to cover losses caused by public health crises, adverse climatic events, environmental incidents or accidents at sea which amount to more than 30 % of the annual turnover of the business concerned, calculated on the basis of the average turnover of that business over the preceding three calendar years."

(2) In Article 57(1) the following point (e) is added :

"(e) a public health crisis"

Article 4

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*