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'I/A' ITEM NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee (Part 2)/Council
No. prev. doc.:	5887/23
Subject:	Draft Council conclusions on ECA's Special Report No 2/2023 entitled "Adapting cohesion policy rules to respond to COVID-19: Funds used more flexibly, but reflection needed on cohesion policy as a crisis response tool" - Approval

1. On 2 February 2023, the General Secretariat of the Council received the Special Report No 2/2023 "Adapting cohesion policy rules to respond to COVID-19: Funds used more flexibly, but reflection needed on cohesion policy as a crisis response tool".
2. Pursuant to the rules laid down in the Council conclusions on improving the examination of special reports drawn up by the Court of Auditors¹, the Permanent Representatives Committee, at its meeting on 8 February 2023, instructed the Working Party on Structural Measures and Outermost Regions to examine this report according to the rules laid down in the above-mentioned conclusions.

¹ Doc. 7515/00 FIN 127 + COR 1.

3. The Court of Auditors presented the report at the meeting of the Working Party on Structural Measures and Outermost Regions of 13 February 2023. Draft Presidency conclusions were examined at the meetings of the Working Party on Structural Measures and Outermost Regions of 28 February² and 14 March 2023³. Delegations agreed to the draft Council conclusions as set out in the Annex⁴ to this note.
 4. The Permanent Representatives Committee is therefore invited to recommend to the Council to approve, as an "A" item at a forthcoming meeting, these Council conclusions as set out in the Annex to this note.
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² WK 2460/2023 INIT.

³ WK 2460/2023 REV 1.

⁴ WK 2460/2023 REV 2.

DRAFT COUNCIL CONCLUSIONS

on Special Report No 2/2023 “Adapting cohesion policy rules to respond to COVID-19: Funds used more flexibly, but reflection needed on cohesion policy as a crisis response tool”

THE COUNCIL OF THE EUROPEAN UNION:

- (1) WELCOMES the Special Report No 2/2023 by the European Court of Auditors (hereafter referred to as “the Court”) and the replies of the European Commission (hereafter referred to as “the Commission”) to the Report;
- (2) RECOGNISES the importance of the Coronavirus Response Investment Initiatives (CRII and CRII+) as well as of the REACT-EU resources in mitigating the impact of the pandemic, in particular on SMEs, on the labour market as well as on the healthcare systems;
- (3) RECALLS the importance of cohesion policy in maintaining the long-term objectives for economic social and territorial cohesion, as set by the Treaty on the Functioning of the EU;
- (4) NOTES that the Court’s audit assessed whether the Commission adapted well the 2014-2020 cohesion policy rules through CRII, CRII+ and REACT-EU, to provide greater flexibility to Member States in using cohesion policy funds in response to COVID-19 pandemic;

(5) TAKES NOTE of the findings of the Report, in particular that:

- The Union promptly reacted after the major outbreak of the pandemic in 2020 and swiftly adopted the rules for more flexibility under cohesion policy during the pandemic (CRII and CRII+), as well as the rules for a flexible use, adjustable to each Member State's needs, of the additional resources from REACT-EU;
- The Commission provided timely assistance to Member States for the implementation of the newly introduced measures, including a significant reduction of the time necessary to process and approve programme amendments;
- The Commission took steps to achieve balance between the flexibilities provided for the use of the funds and the need to safeguard the EU budget;
- The flexibilities and additional resources led to a significant reallocation by Member States of funding towards healthcare, business support and employment, but also led to limited decrease in funding towards investments in ICT, energy and environment, inclusion and research and innovation;
- While the increased rate of EU co-funding helped to reduce the burden on national public budgets, the additional resources from REACT-EU to be used by the end of 2023 added, amongst other factors, to the spending difficulties and to the administrative workload, and to delays to the start of the 2021-2027 period;
- There is a risk that the repeated use of cohesion policy to address crises may impact its primary strategic goal to strengthen economic and social cohesion between European regions;

- (6) SHARES the Commission's opinion in its replies to the findings and recommendations included in the Court's Report, in particular that:
- The Member States correctly prioritised the use of crisis and recovery instruments to ensure that affected operations were adapted to the new circumstances, resources already invested were not lost and the Funds helped limit the impact of the pandemic on cohesion;
 - The Member States widely took up the set of 32 non-mandatory COVID-19 indicators, thus helping the authorities and the Commission to monitor and to assess how cohesion policy funding was used in the context of the pandemic;
- (7) TAKES NOTE of the recommendations of the Court and INVITES the Commission to:
- Analyse the impact of the use of cohesion policy funds to respond to recent crises on the long-term objectives of the policy and take that analysis and the findings of the Court into account for the 2014-2020 *ex post* evaluation, as well as for the preparation of the legislative framework for cohesion policy post-2027, where appropriate;
 - Closely monitor REACT-EU absorption to provide support focusing on results where needed and, in that context, identify programmes encountering spending difficulties in a timely manner and work with the Member States' programme authorities to maximise the potential of the REACT-EU resources.
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