Proposal to extend the 2014-2020 ESIF programmes to tackle the post-Coronavirus in the EU

24 March 2020

t33 Srl - www.t33.it

via Calatafimi 1, 60121 Ancona (Italy)

Tel.+39 071 9715460 - Fax +39 0719715461

E-mail: info@t33.it

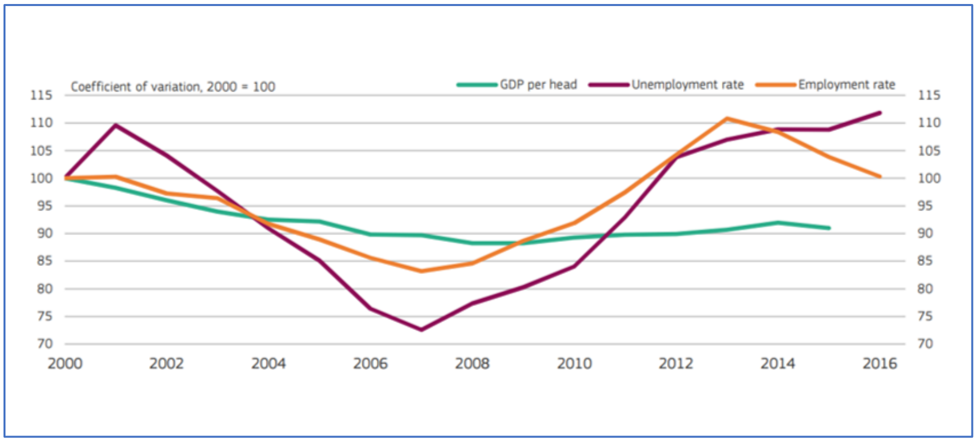
1. Many of our fellow European citizens are on the front line to fight the Coronavirus: doctors, nurses, but also services and supply providers. It is therefore our duty in the rear lines to think about what will happen after, because there will be an *after*. The current Coronavirus crisis will likely lead to an economic recession which will particularly affect many of the EU's most vulnerable territories still recovering from the 2007-2008 financial crisis and the resulting sovereign debt crisis. We need to think about **how to relaunch investments and support recovery**, particularly in terms of sustainable development.

2. Beyond the emergency provisions, the European Commission, the Member States and the European Central Bank are already injecting **resources and liquidity**, but these measures risk reaching the territories asymmetrically. Ministries and the financial system will be the first beneficiaries, as well as strategic companies concentrated in large urban or industrial areas. It is likely that these resources **will reach regional and local authorities, SMEs and third sector organisations only to a lesser extent**, especially in the marginal areas of Europe.

3. What is more, a **significant portion of development funds** made consistently available to marginal areas will be **redirected** to face the current emergency. This shift will likely be made **by giving priority to the territories most affected by the Coronavirus crisis**, but not equally in need of resources for strategic investment in the long term.

4. These cumulative mechanisms risk weighing more heavily on the marginal areas of our continent. If so, this will not only result in an aggravation of the recession of these areas, but it will **risk impacting on the economic and social cohesion of the entire Union**, as we have long known thanks to the studies on territorial development. As already demonstrated by the 2008 crisis, economic and social inequalities tend to worsen following shocks from the economic system (see **Figure 1** next page).

Figure 1: Coefficient of variation of GDP per capita, of the employment and unemployment rate in NUTS 2 Regions, 2000 - 2016 (index, 2000 = 100). Source: European Commission - DG Regio



5. To face this risk, there is a 'tested' **policy infrastructure already designed to extensively channel resources** to the territories through consolidated processes and methods: **Cohesion Policy**. The European Structural and Investment Funds (ESI Funds) have been reaching all EU Regions for 30 years through a proven and well-known governance system – starting from the1988 Integrated Mediterranean Programmes (IMP).

6. The resources channeled through the **ESI Funds do not require new administrative mechanisms** and European national administration already know how to invest them, also thanks to the cooperation with regional and local Managing Authorities.

7. However, the Coronavirus crisis occurs at a **moment of transition between the 2014-2020 and 2021-2027 programmes**. Such moments are always critical:

    a. There is a simultaneous conclusion of one programme and the launching of the new one due to the programming overlap.

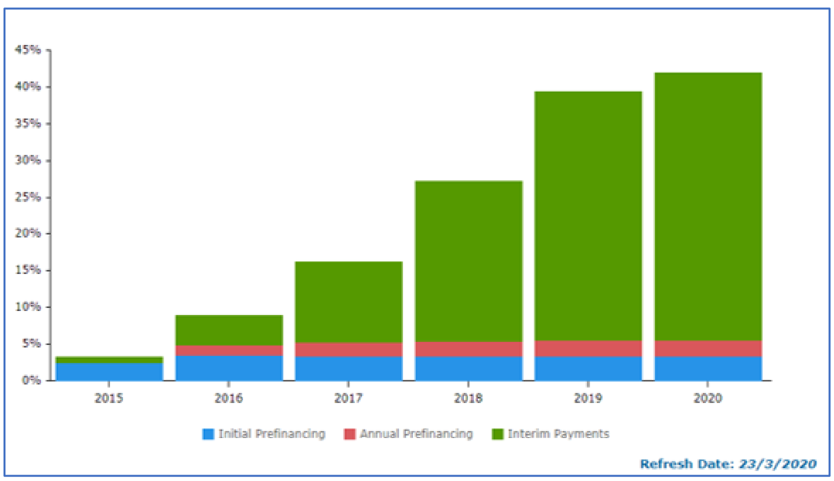
    b. The drafting of new programmes involves long and **burdensome design and negotiation processes** which include interactions at different levels: the regional level with its internal stakeholders, the regional level with the national one, the national level with the European Commission services and, finally, the European Commission with the individual Regional Operational Programmes.

    c. There are also **transition and learning costs**, since regulations change in each programming period and the administrations must learn and adapt their procedures.

8. The **current crisis will lead the Programmes to a halt** for several months which poses a concrete risk of delaying their conclusion. Consequently, public administrations will **not be able to prepare the new programming period**, having to concentrate their **efforts to counter this delay** even in case extensions were granted. In 2020, and reasonably also in 2021, Managing Authorities will also be involved in **financing extraordinary projects** dedicated to the emergency response, as recommended by Commissioner Ferreira to all Member States (*Corona Response Investment Initiative*).

9. These factors will presumably add a **further delay to the slow start of investments flows which historically occurs in each programming cycle** (see Figure 2 below), amplified by the inability of administrations to acquire additional resources given the **constraints to technical assistance** set by the new Common Provisions Regulation proposal.

Figure 2: ESI funds expenditure trend during the current programming period (source: Open Cohesion)



10. This presents a perfect storm that could lead to unbearable delays for the territories at this time, when more Europe is needed.

11. A possible remedy, which can be quickly put into action by the institutions, is the **extension of the current programming period**. Refinancing all programmes and asking for their reprogramming where necessary, not a *new* programme. The updated programmes could guarantee better continuity in terms of available resources, covering part or all of the new programming period.

12. It should be underlined that the **2021-2027 regulations have not yet been approved** and, technically, many of the proposed innovations have already been anticipated in the current programming period through the so-called Omnibus Regulation. It should also be noted that the current ESIF Regulations already cover the priority issues identified by the new European Commission, for example through the 'Green New Deal'.

13. This remedy would avoid the need for public administrations to learn new rules and mechanisms. As shown by several studies, the stability of the regulatory framework represents one of the greatest simplifications in the eyes of public administrations. The extension of the framework defined by the Omnibus Regulation approved in 2018 would ensure a faster refinancing of the programmes, therefore making the resources for territorial development immediately available.

14. Finally, technical assistance should be reconsidered to support reprogramming, monitoring and evaluation activities as the accountability principle must be ensured.

This proposal was drafted by the t33 partners: Michele Alessandrini, Nicola Brignani, Pietro Celotti, Giovanni Familiari, Andrea Gramillano, François Levarlet, Lorenzo Palego, Alessandro Valenza, with contributions from Dea Hrelja.