

COHESION POLICY AND THE COVID -19 PANDEMIC

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Abstract: *Cohesion policy is one of the most important policy areas of the European Union. A number of measures have been adopted at EU level to combat the COVID-19 pandemic and its effects in all sectors. Cohesion policy has been constituted as a working tool in this process, its contribution being materialized through legislative acts that have amended the rules for the programming period 2014-2020. The article looks at how the rules of cohesion policy have been adapted to give Member States greater flexibility in using the funds in response to the crisis situation caused by the COVID-19 virus.*

Key words: *Policy, pandemic, European Union, flexibility*

INTRODUCTION

In January 2020 the first cases of COVID -19 were identified in France and then till mid-March 2020, it spreaded in all EU Member States, and Europe was declared the epicentre of the pandemics [3,13]. The measures taken to limit the virus spread led to social and economic disruption. The business environment was severely affected and many business faced liquidity shortages and risks related to solvency. The European Union economy contracted by 6% in 2020 due to pandemics [14]. Worldwide, the crisis generated by pandemics led to the most significant recession after the Second World War [12].

Various economic and fiscal measures were adopted in all Member States in order to mitigate the impact on citizens, workers and businesses. As a first support measure from European Union was the relaxing the aid and the budgetary rules for the States and also direct financial support through EU Solidarity Fund and Emergency Support Instrument [1, 6]. In order to support its Member States, EU adopted several changes in the framework of the cohesion policy and new budgetary instruments were created [5].

The new budgetary instruments included the Support to Mitigate Unemployment Risks in an Emergency (SURE) with a 100 billion euro budget and the Next Generation EU (NGEU) with 807 billion euro budget [6].

The Next Generation EU was adopted at the end of 2020 and it includes the Recovery and Resilience Facility representing the major part of the package and the Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU). There were also. includes top-ups for other financial instruments. In order to finance the new instruments, the European Commission borrowed funds on capital markets on behalf of the Member States [5].

MATERIALS AND METHODS

The main materials used in the elaboration of the article are documents issued by various institutions of the European Union that are available online. And among the research methods used are especially observational methods, the information being collected, processed and interpreted.

RESEARCH RESULTS

The main aim of cohesion policy is to reduce the disparities between regions in terms of development and it represents one of the most important policy of European Union [2, 8, 9]. Its allocation is 355 billion euro and is supported by three funds: European Regional Development Fund, European Social Fund and not the last, the Cohesion Fund [4].

Due to the fact that numerous programs were already being implemented at the level of the Member States through this policy at the time of the outbreak of the covid pandemic, this represented an opportunity to make certain resources available to the States to cover the financing needs [11]. But in order for the funds intended to finance the cohesion policy to be used in the implications generated by the pandemic, changes were imposed both to the Common Provisions Regulations and to the European Regional Development Fund regulation [7, 10]. Even if these changes apply to the 2014-2020 programming period, it should be noted that 2023 represents the year until which investment activity can take place for this programming period.

As can be seen from figure 1, there were many responses from European Commission to the challenges brought by the pandemic, but three of them can be considered the most important moments in the response of the pandemic [2].

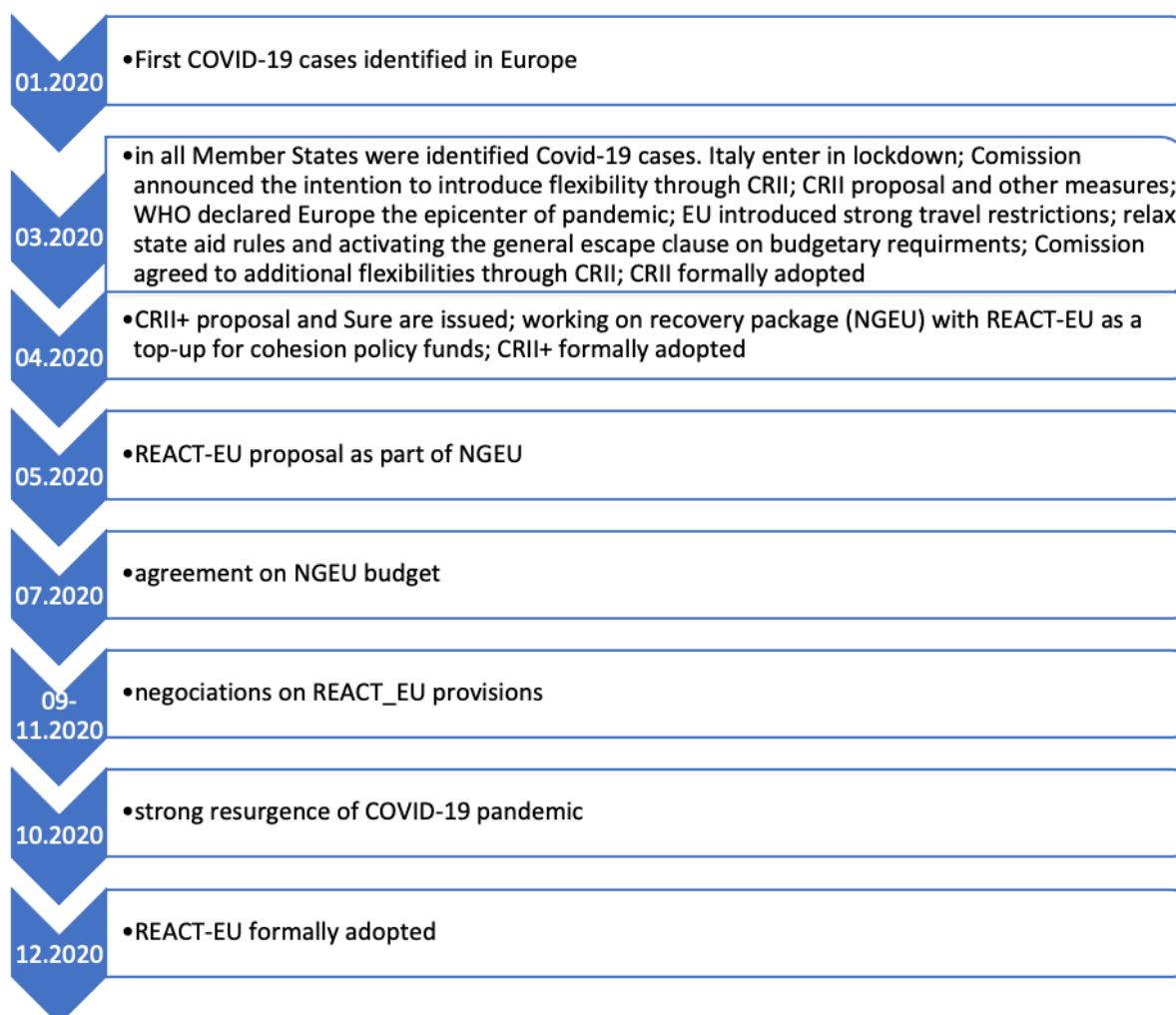


Figure 1. EU reactions to pandemic

Source: European Court of Auditors, 2023

So, Coronavirus Response Investment Initiative (CRII) included a series of measures aimed at simplifying, increasing the degree of liquidity and flexibility so that states can respond to the needs of the sectors subject to the greatest pressures, namely health, small and medium enterprises and the labor market.

Then as the crisis situation was intensifying, the Commission issued the Coronavirus Response Investment Initiative Plus (CRII+) which contributed to strengthening the flexibilities introduced previously, mainly through the possibility of obtaining 100% co-financing from the European Union to support operations for one year and facilitating the redirection of availability from the funds allocated for 2020.

The third important instrument in pandemic was Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU). It represented the addition of 50.4 billion euros to the financing of the cohesion policy and the sum of 0.2 billion euros for the Commission's technical assistance and administrative expenses. The end of 2023 is the deadline by which the amounts provided can be spent [5].

The distribution of funds available through REACT-EU is based on a methodology based on the situation of each member state regarding the situation before the pandemic, as well as the impact of the crisis on the economy of each member state. Figure 2 shows the allocation for each state, while figure 3 shows the related allocation per capital.

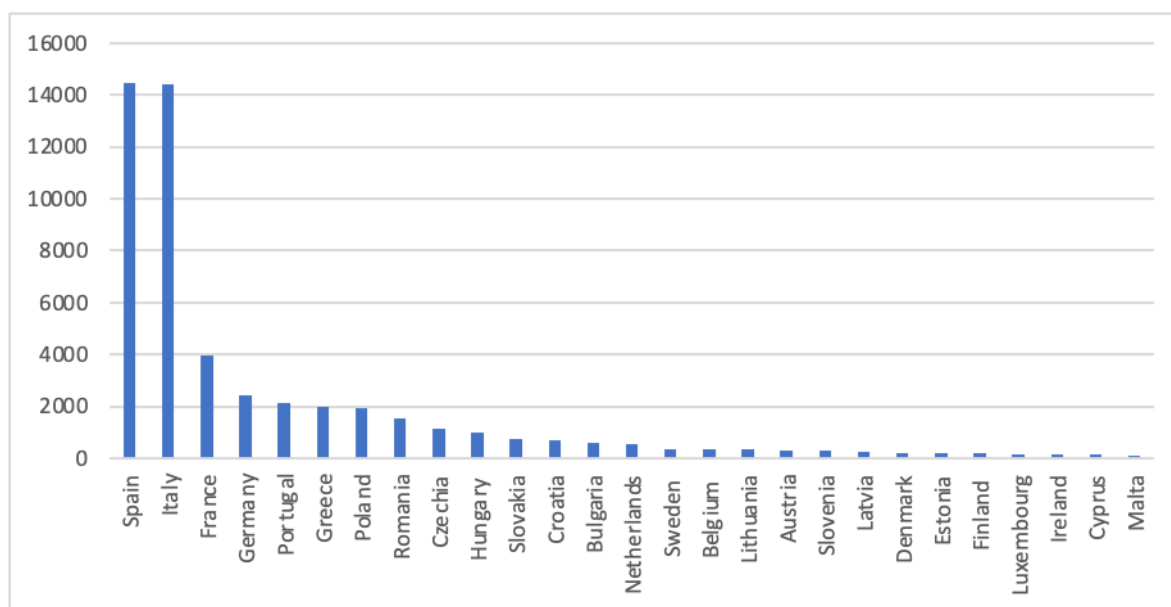


Figure 2. REACT-EU allocation, million euro

Source: European Court of Auditors, 2023

Conceived as a short- and medium-term instrument to contribute to recovery and recovery from the crisis, REACT-EU brought a wider margin of decision regarding the allocation of funds between regions and types of investments that can be financed. The funds included in this instrument can also be used to help disadvantaged people and for employment, especially among young people.

This instrument represents a departure from the common rules of cohesion policy and through it the focus has been shifted from reducing gaps between regions to recovery and recovery from the pandemic.

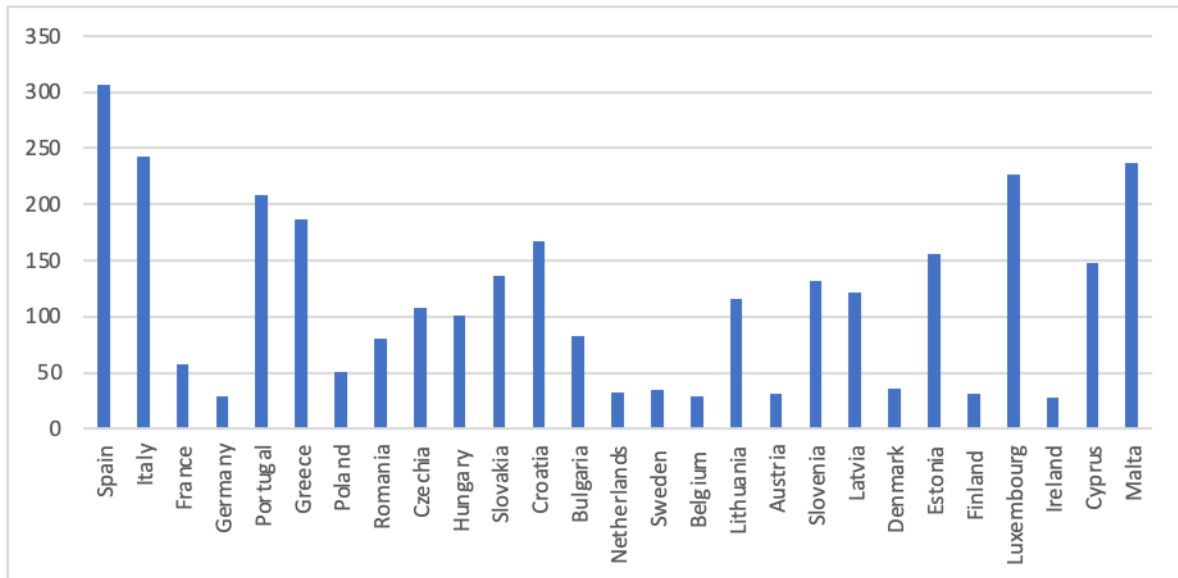


Figure 3. REACT-EU allocation per capita, euro

Source: European Court of Auditors, 2023

The funds provided in this instrument were designed to provide a bridge to the new funding period, 2021-2027, and have a short window, until 2023 when they can be spent. This may bring with it certain challenges for Member States [6s]. The amount of funds provided is equivalent to that of one year of funding under the cohesion policy at EU level, but the situation is different from state to state. At the same time, the member states may encounter certain difficulties in terms of absorbing the available funds, given that the member states have to spend until 2026 the funds available through the RRF.

CONCLUSIONS

Cohesion policy provides for long-term planning, but the pandemic has led to the establishment of tools designed to act in the short or medium term to contribute to economic recovery and recovery.

CRII and CRII+ mainly brought changes to the legislative framework, contributing to increase the degree of flexibility in the use of funds intended for the cohesion policy, REACT-EU came with additional funding.

All these measures brought more administrative work for the managing authorities and led to the delay of the programs for the programming period 2021-2027 [15]. Even if there were delays in the other programming periods, no program was adopted in the first year of the 2021-2027 programming period.

The response from the European Union institutions was quick, although overall there were difficulties in terms of the administrative burden, difficulties due to the overlap of the 2014-2020 periods, the implementation period of the REACT-Eu instrument and the 2021-2027 programming period, under the pressure to spend available funds within the stipulated time frame. There were coordination difficulties between the cohesion policy funds and those foreseen in the RRF, indicating concurrency for quality projects and risks regarding double funding.

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