

Increased pre-financing from REACT-EU resources

2022/0096(COD) - 23/03/2022 - Legislative proposal

PURPOSE: to provide for an increased amount of pre-financing to be paid under REACT-EU, which is needed to help Member States meet the challenges posed by the exceptionally high number of people fleeing the war in Ukraine and to support their transition to a resilient economic recovery from the COVID-19 pandemic.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: due to the recent military aggression by Russia against Ukraine, the European Union and in particular its eastern regions are facing a massive influx of people. This poses an additional challenge for public budgets at a time when Member States' economies are still recovering from the impact of the COVID-19 pandemic and risks undermining the preparation of a green, digital and resilient recovery of the economy.

Member States are already able to finance a broad range of investments to address migratory challenges under their operational programmes with support from the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Fund for European Aid to the Most Deprived (FEAD), including from the additional resources made available as Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU).

The Commission has already taken steps to assist Member States in this regard, through its 'Cohesion Action for Refugees in Europe' (CARE) initiative of 8 March 2022. Notwithstanding the room for manoeuvre offered by the CARE package, Member States face additional immediate budgetary pressures arising from the management of mass arrivals of people fleeing Ukraine.

Therefore, support from the Funds should be mobilised quickly to ease the burden on national budgets. The Commission therefore considers it necessary, as a temporary and exceptional measure, to increase the amount of pre-financing paid under REACT-EU for all Member States.

BACKGROUND: this proposal provides for exceptional and targeted changes to the 2014-2020 legal framework established for the European Structural and Investment Funds and for the Fund for the European Aid to the Most Deprived (FEAD) in response to the invasion of Ukraine by the Russian Federation and the subsequent impact on the European Union and several of its eastern regions in particular.

It is proposed to amend Regulations (EU) No 1303/2013 and (EU) No 223/2014 in order to provide for an increased percentage of pre-financing to be paid under REACT-EU, which is necessary to respond to this unprecedented situation.

In addition to the initial pre-financing, the Commission will pay 4% of the REACT-EU resources allocated to programmes for the year 2021 as additional initial pre-financing in 2022. For programmes in

Member States which have had a level of arrivals of persons from Ukraine greater than 1% of their national population between 24 February 2022 and 23 March 2022, that percentage shall be increased to 34%.

In order to monitor the use of this additional pre-financing, the final reports on the implementation of ERDF and ESF programmes benefiting from such pre-financing should include information on how the additional amounts received have been used to address the migration challenges linked to Russia's military aggression and have contributed to the recovery of the economy.

BUDGETARY IMPLICATIONS: this proposal only concerns REACT-EU, which is financed by the European Recovery Instrument NextGenerationEU.

The additional initial pre-financing payments in 2022 will be financed from external assigned revenues. All amounts will be available as external assigned revenues, within the meaning of the Financial Regulation stemming from the Next GenerationEU borrowing operations.

The amount paid as additional initial pre-financing will be totally cleared from the Commission accounts not later than when the operational programme is closed, such that the total amount of payments made under REACT-EU will remain unchanged with this proposal. Similarly, the total commitment appropriations under REACT-EU will not be modified.