



## EUROPEAN COMMISSION

*Brussels, 13.08.2020  
C(2020) 5676 final*

*Dear President,*

*The Commission would like to thank the Bundesrat for its Opinion on the proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 1303/2013 as regards exceptional additional resources and implementing arrangements under the Investment for growth and jobs goal to provide assistance for fostering crisis repair in the context of the COVID-19 pandemic and preparing a green, digital and resilient recovery of the economy {COM(2020) 451 final}.*

*The Commission's proposal for Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU) provides for an additional EUR 55 billion (2018 prices) to be made available in the years 2020 to 2022 for existing programmes under the European Regional Development Fund (ERDF) and the European Social Fund (ESF). These additional resources are to be used for projects that foster crisis repair capacities in the context of the COVID-19 pandemic, as well as investments in operations contributing to preparing a green, digital and resilient recovery of the economy. The related specific allocation method will take full account of the economic and social impact of the crisis on the Member States and their relative prosperity. However, in the conclusions following the special meeting that took place on 17-21 July, the European Council decided not to modify the 2014-2020 multiannual financial framework and proposed to reduce the amounts available under NextGenerationEU for REACT-EU to EUR 47.5 billion.*

*The Commission welcomes the Bundesrat's broad support for the aims of the proposal as well as the necessity for its swift approval. The Commission agrees that it is essential to have legal certainty on REACT-EU as soon as possible. The Commission also takes note of the Bundesrat's concerns relating to the time constraints for the REACT-EU additional resources to be efficiently spent, the allocation methodology and the scope of support. In this regard, the Commission is pleased to have this opportunity to provide a number of clarifications.*

*Mr Dietmar WOIDKE  
President of the Bundesrat  
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*To strike the right balance, the Commission introduced in its proposal a number of modifications to the existing rules that are essential to ensure the proper spending of the additional resources in the programmes initially adopted for the period 2014 - 2020, without entering into unnecessary modifications that would slow down the legislative process for a package subject to extreme urgency.*

*The Commission has kept the final eligibility date of the current programming period unchanged, to avoid a large overlap between the programming periods and excessive simultaneous workload for the involved actors. The additional resources need to be rolled out quickly in the real economy to help crisis repair: an extension of the eligibility period would have slowed down the use of resources and implied closure much later. Furthermore, as a consequence, a large number of articles in the Common Provisions Regulation and fund-specific rules would have needed to be amended as well as a number of secondary legislation. This would jeopardise the efforts for rapidity and quick deployment.*

*Regarding the request of the Bundesrat for the Commission to act pragmatically and quickly in the approval of the programmes, the Commission has already started programming discussions with Member States to make sure that all preparations are carried out by the time the legal frameworks are in place. Furthermore, once the programmes are approved and/or amended, the Commission has proposed a 50% initial pre-financing. The aim is to ensure that the lack of liquidity does not impose a bottleneck to the quick use of this support and that the additional resources rapidly target the sectors and geographical areas most needing it. This element was however excluded by the European Council, as it was linked to the additional resources for 2020.*

*The Bundesrat points out that uncertainties about the available funds preclude the funding of larger investment projects and that there is a risk of loss of funds. It also points out that there may be considerable administrative burden for all stakeholders resulting from multiple programme amendments. The Bundesrat therefore calls for the REACT-EU allocation to be fixed once. The Commission is aware of these risks. However, the proposed allocation methodology aims at avoiding distortions that may be caused by the use of outdated statistical data that do not reflect the reality, penalising the Member States most hit by the crisis. For instance, data on unemployment that will be available in autumn 2020 may underestimate the COVID-19 impacts. For this reason, the 2022 tranche is proposed to be allocated on the basis of statistical data available in Autumn 2021. In addition, given the long preparatory and implementation times associated with larger investment projects, the Commission would encourage Member States to finance them from the 2021-2027 Multiannual Financial Framework.*

*Finally, the Bundesrat expresses its wish for the possibility to enlarge the scope of the REACT-EU resources to all areas already existing in the programmes. The Commission would like to reassure the Bundesrat that the scope of the REACT-EU resources is not diminished in comparison to the standard cohesion policy allocation. While the Commission lists in its proposal those investments it perceives to be the most suitable for REACT-EU, other actions can also be co-financed from the additional resources, as long*

*as they contribute to fostering crisis repair in the context of the COVID-19 pandemic and preparing a green, digital and resilient recovery of the economy.*

*The Commission is convinced that the proposal for REACT-EU provides a solid basis for the ongoing negotiations and remains hopeful that the co-legislators will reach an agreement swiftly.*

*The Commission hopes that the clarifications provided in this reply address the issues raised by the Bundesrat and looks forward to continuing the political dialogue in the future.*

*Yours faithfully,*

*Nicolas Schmit  
Member of the Commission*