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Ares (2020) 1847818

Subject: The Coronavirus Response Investment Initiative and European Union Solidarity Fund support

Dear Ministers,

The Coronavirus outbreak presents a major challenge to the entire European Union. National, regional and local communities are on the frontline in countering the disease. Solidarity and responsibility across our societies and between Member States will be key to overcome this challenge. The benefit of collective and coordinated action as a community outweighs individual and parcelled responses. We have to take action to contain the spread of the virus and mitigate its impact to prevent straining public healthcare while reinforcing the responsiveness of our systems and to mitigate the considerable knock on effects on our economies.

The Commission has, therefore, proposed a **Coronavirus Response Investment Initiative** (CRII) to mobilise cohesion policy to flexibly respond to the rapidly emerging needs in the most exposed sectors, such as healthcare, SMEs and labour markets, and help the most affected territories in Member States and their citizens. To this effect, the European Commission made a series of proposals on 13 March 2020 to amend legislation that will allow Member States to benefit from more financial back-up and targeted assistance.

Mr Marko Pavić
Minister of Regional Development and EU Funds

Mr Josip Aladrović
Minister of Labour and Pension System

Mrs Vesna Bedeković
Minister for Demography, Family, Youth and Social Policy

CROATIA

To quickly direct €37 billion of European public investment to address the impacts of the Coronavirus crisis, the Commission proposes to relinquish this year the obligation to request refunding of recoveries of unspent pre-financing for the European Structural and Investment Funds for 2019 and to use this money for investments under the CRII. In the case of Croatia, this amounts to around EUR 166 million (indicative amount pending the final outcome of the examination and acceptance of accounts).

Additionally, the Commission will pay the 2020 annual pre-financing to Croatia in two instalments over March and early April, amounting to EUR 238,726,261.44.

To accelerate and enhance the support, the Commission also proposed to make Coronavirus related expenditure eligible under the structural funds from 1 February 2020. For example, this can mean in practice extended support to the healthcare systems, in particular through the financing of health equipment, medicines, testing and treatment facilities, disease prevention and awareness raising, e-health, the provision of protective equipment, medical devices (including respirators, masks and similar), to adapt the working environment in the health care sector and to ensure access to health care for vulnerable groups. The European Social Fund can moreover also support short time working arrangements and community-based services for the elderly and people suffering from a health condition as well as additional support to healthcare systems such as recruitment of staff. (Please see the annex with further details on the current possibilities under the ESF and the ERDF).

Furthermore, the Commission proposed that the ERDF can support the financing of working capital in SME where necessary to tackle short-term financial shocks, including through grants.

We need to ensure flexibility to act quickly and the proposed amendments to the CPR therefore aim at ensuring this. To further speed up the implementation of these measures and ensure that advice is available on relevant measures, the Commission has set up a Task Force as a single point of entry for all questions related to using structural funds to fight the crisis in the context of the CRII. This covers the aforementioned flexibility tools, programme amendments as well as State aid procedures, including guidance on ensuring State aid compliance.

The Task Force is already in contact with senior civil servants in the Member States and, upon request, will split into country teams after a first assessment of the countries' needs to be able to provide as targeted as possible assistance.

The Commission's overarching objective is to use the full range of funding options under the EU budget and the Commission's expertise to support Member States with maximum flexibility, minimum additional administrative work and as quickly as possible. We therefore ask you to work through the Sherpa your Member State has appointed as contact point for the CRII and direct all questions to the Task Force (EC-CORONA-RESPONSE-INVESTMENT-SECRETARIAT@ec.europa.eu).



To ensure good information flow and fast decision-making at the most practical level, for concrete discussions regarding the use of available financial resources in your country but also to be able to discuss State aid, financial regulation compliance issues or involvement of the European Investment Fund, we offer you the integrated support of the Commission services through a CRII country team. We, therefore, invite you to contact the co-leads of the team: Director Vittoria Alliata-di Villafranca in DG Regional and Urban Policy and Director Jordi Curell Gotor in Directorate-General Employment, Social Affairs and Inclusion, and to keep the Task Force in copy of such communication.

By focusing on investments in businesses, jobs, people and infrastructure, cohesion policy will also play an important role in supporting the post-crisis recovery efforts in Member States and regions. The Commission will therefore pursue tirelessly our joint programming efforts for the 2021-2027 financial period so that implementation can start as early as possible, and thus absorb economic shocks, and address the long-term socioeconomic implications of the crisis.

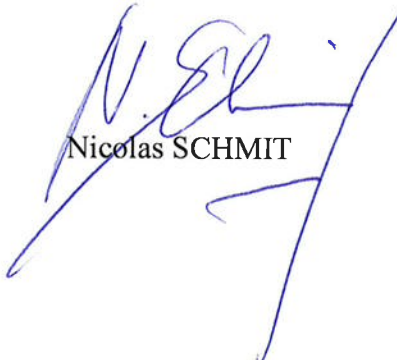
To be able to demonstrate solidarity at the European level, we have also proposed to extend the scope of the European Solidarity Fund to also cover situations like the present crisis. Moreover, the European Globalisation Adjustment Fund can be mobilised to support dismissed workers and the self-employed.

It is now important that these proposals are fast tracked and quickly adopted, in order to start their implementation as soon as possible.

Yours sincerely,



Elisa FERREIRA



Nicolas SCHMIT

Annex

The ERDF and ESF scope already allow for many types of investment that could be relevant.

As the ESF supports enhanced access to affordable, sustainable and high-quality services, including health care, it can fund the necessary health care equipment and protective material for health care workers. The Coronavirus crisis often hits more severely the most vulnerable citizens in our society, the ESF may support all efforts to ensure an active and equal participation of all concerned and make sure that everyone has access to effective and resilient healthcare and long-term care services.

It can also support the recruitment of additional staff in order to allow for the provision of additional and extended health care services. The ESF can support the development of new forms of working arrangements, including telework. The ESF can continue to support the delivery of community-based services for the most vulnerable in our societies, in particular the elderly and people suffering from a health condition. You might consider the necessary adjustments for their delivery during the crisis.

To mitigate the economic damage of the crisis, the ESF can be mobilised to ensure the reintegration into the labour market of workers and self-employed. This can be done directly and through enhancing the capacity of public employment services.

The ERDF in Croatia provides support to health infrastructure with a focus on primary, emergency and hospital care. The scope of the fund would also allow financing disease prevention, small-scale infrastructure, eHealth services and ICT solutions.

Possibilities under other thematic objectives may also be explored to support other needs exacerbated by the ongoing crisis, such as coordinated research and innovation in healthcare.

The ERDF can also help SMEs to recover through a coordinated package of short-term financing. Support is already available and can be further mobilised to provide specialised advice, promote internationalisation and develop new business models to diversify supply chains and make firms more resilient to external shocks. Measures aimed at helping SMEs to maintain their investment level and productive capacities, and to assist innovative start-ups and high-growth firms may be extended. New or adapted financial instrument products could be developed, tailored to alleviating the impacts of the pandemic.