

EU Programs in Support of Member Countries

By Aidan Lawson

Original post [here](#).

The European Commission (EC) is still working out the details of a [€37 billion plan](#) and further extension of this initiative to support member states using existing funds to provide emergency support for distressed member states. EU leadership has also [agreed in principle](#) to a much larger recovery fund that would provide approximately €1 trillion.

The €37 billion emergency support was mobilized through the Coronavirus Response Investment Initiative (CRII). The CRII became operational on April 1 and consists of three main elements:

1. Up to €37 billion in funding for distressed member states
2. Increased flexibility for Coronavirus-related expenditures
3. Up to €800 million from the EU Solidarity Fund

Coronavirus Response Investment Initiative Plus that came into effect mid-April further extends the CRII. The operational details of these initiatives, which are designed to free up funds available from other programs to provide medium and longer-run relief to member states that are most affected by the virus, are currently being discussed by the EC.

Coronavirus Response Investment Initiative

Up to €37 billion for distressed member states

€8 billion of this funding comes from unspent pre-financing given to member states for programs approved in 2019 under agreements with European Structural and Investment Funds (ESI-Funds). ESI-Funds, which are a conduit for over half of the funding in the EU, “invest in job creation and a sustainable and healthy European economy and environment” (see [here](#)). The ESI-Funds are managed jointly by the EC and member states and are financed through the EU budget. Every funding period, which lasts six years, member states prepare general [partnership agreements](#) with each of the funds to determine how their allocations will be spent. The current funding period lasts from 2014 to 2020.

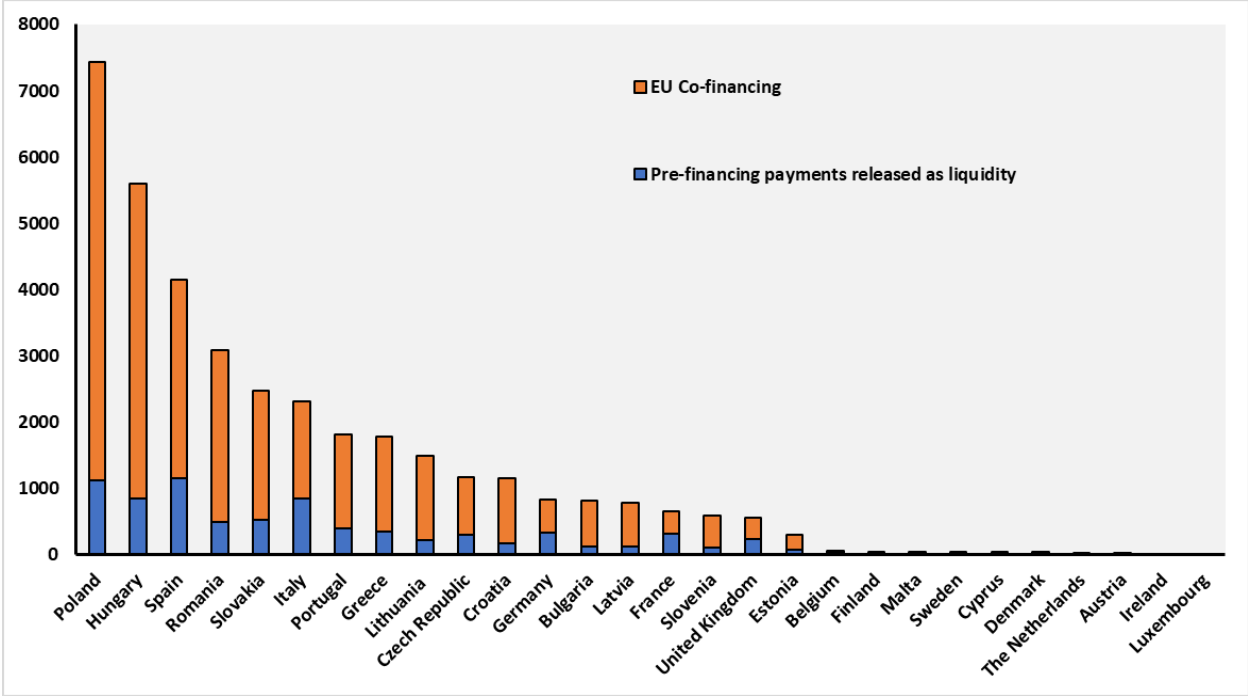
Unused [pre-financing payments](#) normally scheduled to be remitted by June 2020 can now be retained by each member state for COVID-19 relief. The EC states that reimbursement of €8 billion would not be required “provided the funds are fully spent in accordance with the relevant rules” (see [here](#)).

As this immediate liquidity of €8 billion is depleted, the member states will have an additional [€29 billion](#) financed from the EU budget available, maintaining and increasing member states’ capacity to respond to the COVID-19 crisis.

Figure 1 (below) breaks down amounts available to member states from the immediate liquidity, EU co-financing, and unallocated ESI-Fund measures. The stacked column represents both the €8 billion in repurposed pre-financing payments, as well as additional €29 billion in potential

EU co-financing as discussed above. Poland and Hungary, despite having relatively [low levels \(a combined total of about 18,000\) of cases](#), have the [largest allocations](#) (€13 billion) under CRII (see [here](#)). In contrast, Italy and Spain, which have had a combined case total of about 437,000, are allocated about 6.5 billion. This discrepancy has prompted [criticism](#) about the design of the program. Hungary’s allocation has been especially controversial due to increasingly autocratic behavior on the part of prime minister Viktor Orban in response to the pandemic (see [here](#)).

Figure 1. EU budget and ESI-Fund Amounts available, by country (€ millions)



Increased flexibility for Coronavirus-related expenditures

Each of the five ESI-Funds have distinct investment objectives, ranging from providing general support for small and medium-sized enterprises (SMEs) to providing more targeted funding for developing specific sectors such as agriculture and fishing. The extent of the damage caused by COVID-19 crisis prompted the EC to allow expenditures made in response to the pandemic to be eligible for ESI-Fund assistance. A total of €28 billion in unallocated funds for any investment programs from ESI-Funds can now be used for various forms of new COVID-19 programs. After submitting aid plans to the EC, member states are awarded an envelope of aid. They are expected to come up with investment programs to use this money by the end of the funding period (2014 – 2020).

These unallocated funds under the European Regional Development Fund (ERDF) and European Social Fund (ESF) can be used to purchase personal protective equipment, medical devices and expand health care access, among others. ERDF and ESF money can be used to provide short-term relief to SMEs experiencing cash flow issues and support national [short-time work schemes](#), respectively (see [here](#)). Funding through the European Maritime and Fisheries

Fund (EMFF) can be used to support mutual funds and stock insurance for fisherman and aquaculture farmers (see [here](#), pp. 4, 10 - 11).

Access to the EU Solidarity Fund

Finally, the EC [expanded](#) the scope of the EU Solidarity Fund (EUSF) to include major financial aid of up to €800 million for public health emergencies created by COVID-19. Originally created in 2002 to respond to severe floods across Central Europe, the EUSF has provided a total of €5.5 billion in disaster support since then (see [here](#)).

Since its inception in 2002, the EUSF has provided assistance to 24 countries for 87 disasters (see [here](#)). Italy has used about half (€2.52 billion) of this amount. Coincidentally, Italy is the only country that has [applied](#) for EUSF aid for COVID-19. Each year the EC grants the EUSF a set amount of funding and it retains any leftover funding from the previous year in the current year. From 2002 to 2016, yearly disbursements by the EUSF were about 38% of total resources (see [here](#), pp. 49). According to an official [ex-post report](#), the EUSF has been successful in providing emergency financial assistance to distressed institutions after natural disasters and national emergencies, although its capacity is limited.

The EC will collect all coronavirus related applications until June 24 and then assess them all together, [ensuring](#) that the available resources are being distributed in a fair and equitable manner. The EC will then propose a total amount of aid to the Parliament and Council of the EU and, if approved, it will award the aid fully to each member state that is accepted.

Countries wishing to apply for COVID-19 aid under the fund must have sustained economic damage that exceeds a certain threshold, which is calculated either as a percentage of national income or as a general amount (see [here](#)). The application requires member states to estimate their total expenditures for emergency operations related to the COVID-19 crisis during the four months following the date when they first took official action. The EC will disperse funding as a percentage of the total amount of (projected or actual) public spending over the four months. Funding can be applied to programs that are still in development, or to re-finance expenditures already made.

Member states must disclose any funds they received from other institutions or public programs. Member states can request advance funding of up to 25% of the expected total EUSF contribution, and all funding must be used within 18 months of disbursement (see [here](#), pp. 29).

Coronavirus Response Investment Initiative Plus

A day after the implementation of CRII, the EC proposed a second set of support measures, called the [Coronavirus Response Investment Initiative Plus](#) (CRII+), which [became operational on April 24](#). CRII+ expands on the initial steps taken by the original package by enhancing flexibility across ESI-Funds, simplifying administrative requirements, and providing additional assistance to some of the most vulnerable groups.

This proposal includes the ability to transfer funds between the [European Regional Development Fund \(ERDF\)](#), European Social Fund (ESF), and Cohesion Fund (CF) as well as across categories of regions (see [here](#), pp. 29). This allows funds to flow more freely across institutions and regions to the areas where assistance is needed most. The EC also exempts countries from having to mobilize resources under ESI-Fund agreements in accordance with the investment objectives. CRII+ also provides regulatory relief by deferring and simplifying various

reporting and auditing requirements. CRII+ grants member states the ability to request 100% EU co-financing for existing COVID-19 programs.

As part of CRII+, the [EMFF](#) provides relief to the fishing industry by compensating out-of-work fishers and aquaculture farmers and increasing its budgetary flexibility to address new shocks. The [EAFRD](#) will begin offering loans or guarantees of up to €200,000 to “farmers and other rural development beneficiaries” and allow its funds to be used for healthcare centers and infrastructure in rural areas.

Finally, the CRII+ aims to help the most impacted by increasing the flexibility of the [Fund for European Aid to the Most Deprived \(FEAD\)](#), which normally provides food, clothing, and other essential goods and services to vulnerable European populations (see [here](#)). About €3.8 billion were set aside for FEAD operations for the current funding period.

Recovery Fund Under Consideration

EU leaders recently agreed to the creation of an approximately €1 trillion recovery fund that would be used to offset the damage caused by the crisis. Member states are still [debating](#) the exact operational details of the program, including the exact amount, financing, and through what means aid will be disbursed (see [here](#)). On May 13, President of the EC [proposed](#) to the European Parliament that recovery fund will be financed both by EU budget resources as well as state-guaranteed borrowing arrangements in the capital markets. The money would be channeled across three pillars:

1. A new recovery and resilience tool for public investment in the hardest-hit member states.
2. A new solvency instrument that will revive private investment and “match the recapitalization needs of healthy companies who have been put at risk as a result of the lockdown”
3. A new dedicated health program, as well as strengthening existing programs

It is still unclear what the total amount for these measures will end up being, but President reiterated that the funding may be front-loaded short-term loans and grants to member states that need the most.