

Ensuring an inclusive recovery for all: ECRE and PICUM comments on the Next Generation EU package and REACT-EU

Policy Note

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I. Introduction

On 27 May 2020, the European Commission (EC) presented its Communication [‘The EU budget powering the recovery plan for Europe’](#)¹ which introduces a financial recovery plan for the economic crisis following the COVID-19 pandemic. The plan, named Next Generation EU (NGEU), is incorporated into the ongoing negotiations on the next Multiannual Financial Framework (MFF 2021-2027).

The plan adds € 750 billion to the proposed MFF budget as a temporary top-up measure. NGEU funds will be available either for the first four years of the MFF period (2021-2024) or just for the first two years of the MFF period (2021-2022), depending on the programme. Recovery funds run in parallel to the main MFF funding which covers the full seven-year budget period of 2021-2027.

NGEU funds are incorporated in different ways. First, NGEU adds funds to existing instruments such as Horizon 2020 (with the additional NGEU funding to be spent in the first two years of H2020). Second, it creates new [temporary instruments](#) that will run until 2024, such as the “Recovery and Resilience Facility” to fund investments and reforms in member states (MS) in line with the objectives identified in the European Semester. Finally, it also creates new initiatives that last just for the two-year top-up period, including [REACT-EU](#)², which increases cohesion support to member states. While REACT-EU adds new money, it prolongs the current cohesion rules as its legal framework. Thus, under REACT-EU, the existing legal instruments (European Social Fund (ESF), European Regional Development Fund (ERDF) and Cohesion Fund) will be extended for two years so that funding continues uninterrupted.

Together with the NGEU proposal, the EC both proposes amendments to the regulations that form the legal framework for the next MFF, including for the ESF+, and in other cases adds funds to other proposed funding instruments without amendments.

This Policy Note analyses some elements of the plan, including the changes to the proposed MFF and the new REACT-EU initiative; it is based primarily on the EC proposal from May.

- 1 [The EU budget powering the recovery plan for Europe](#) : Communication of the Commission 442 of 27 May 2020
- 2 [Recovery Assistance for Cohesion and the Territories of Europe: Proposal for a Regulation of the European Parliament and of the Council amending Regulation \(EU\) No 1303/2013](#) of 28 May 2020

The analysis is based on ECRE and PICUM’s priorities on inclusion of migrants and refugees. It should be read alongside existing recommendations on EU funds for inclusion³ as well as ECRE’s and PICUM’s comments on the proposed regulations^{4,5}.

II. Analysis

1. Preventing flexibility from jeopardising social investment

The REACT-EU proposal increases the resources available for the Structural Funds for the period 2020 to 2022 by EUR 55 billion (in 2018 prices) and provides full flexibility to member states for the allocation of funds to their Operational Programmes (OPs), allowing them to use the ERDF or the ESF. Member states will be able to spend money from different funds in any geographic area, without the existing restrictions on the basis of type of region. While lifting the requirement to spend funds in designated regions could help to address the consequences of the crisis, granting a top-up to the Structural Funds without including a pre-allocation requirement introduces risks. Governments might prefer to programme funds under the ERDF rather than other instruments because it allows them to inject funds into infrastructure projects. While this can temporarily increase employment, it may not constitute sound investment in social inclusion for the long term.

Similarly worrying is that the Common Provisions Regulation (CPR) for the next MFF will allow the transfer of 5% of the initial allocation from any one instrument to any other instrument. This risks reducing the resources in existing funds – such as the ESF+ – which have already been reduced compared to the past programming period (2014– 2020) and the 2018 proposal, and which will lose out further due to the [Just Transition Fund](#)⁶ (JTF).

3 ECRE – PICUM (2020) [Partnership in practice: the role of civil society in EU funded actions for the inclusion of migrants and refugees](#), Policy Paper

4 [ECRE Comments on the Commission Proposal on the Asylum and Migration Fund](#), September 2018

5 ECRE AND PICUM (2018) [Position on the Proposal for a Regulation of the European Social Fund + 2021-2027](#)

6 [Proposal for a Regulation of the European Parliament and of the Council establishing the Just Transition Fund](#) of 14 January 2020, Article 6

2. Ensure that the funds are subject to general ex-ante conditionalities

According to the REACT-EU communication, when planning activities for the additional resources, member states will not be obliged to fulfil ex-ante conditionalities. While this is understandable as additional resources are for the crisis and not for long-term investment programmes, REACT-EU should ensure that member states enforce – at very least – the “General ex-ante conditionalities⁷”, so that the funds are used in compliance with anti-discrimination and gender equality legislation, the UN Convention on the Rights of Persons with Disabilities, and also that measures are taken to prevent corruption, in line with EU public procurement requirements. Given that, in their initial response to COVID-19, some public administrations de-prioritised third country nationals in employment offers and in complementary emergency welfare policies⁸, it will be particularly important to ensure that REACT-EU funds avoid any sort of discrimination on the basis of nationality.

3. Extending the length of the funding period to ensure proper absorption

As mentioned, REACT-EU adds funds for the next two years but does not change the budget structure because the existing legal instruments with their rules, objectives and so on are preserved. This means that member states will be allowed to allocate more funds to the existing programmes but only for the next two years of programming. Thus, addressing challenges resulting from the pandemic will rely on very short-term allocations, leading to a disproportionate disbursement of resources in the first part of the seven-year MFF, and a smaller budget for the second part. This might reduce the use of funds for activities like integration which are based on long-term and ongoing activities. Between 2024 and 2027, the budget for social inclusion/employment actions could be severely reduced.⁹

Second, an increase in funding but only for two years means that funds are likely to be used by incumbent governments, with the risk that they are used for short-term measures to consolidate political support among

electorates, instead of for long-term programmes, addressing, for example, the reskilling of workers or fostering a green transition.

Lastly, although the REACT-EU communication rightly suggests the use of the remaining resources in ESF and ERDF for technical assistance, the absorption capacity of the member states is very uneven, with many public administrations unable to spend funds by deadlines. A longer time period for allocating and spending these additional resources would help member states to spend the funds in time and before they are de-committed (which happens if they are unused).

The REACT-EU resources, which feed into existing funding instruments, do not need to be short-term, but could be available for the whole length of the next MFF. This would also imply an increase in programmes for the MFF as a whole, and higher funding for future priorities.

4. Partnerships to address emergencies more effectively

The REACT-EU proposal calls on member states to involve *local and regional authorities, as well as relevant bodies representing civil society, in accordance with the partnership principle* in the allocation of the additional resources¹⁰. This is to be achieved through a new cross-cutting thematic objective “Fostering crisis repair in the context of the COVID-19 pandemic and preparing a green digital and resilient recovery of the economy”.

Despite the call in the regulation, the implementation of the partnership principle is inconsistent across the member states due to differences in national administrative structures and cultures of engagement with civil society. According to the 2016 evaluation, the involvement of partners in the Strategic Investment Funds¹¹ is judged to be positive overall, nevertheless the establishment of constructive dialogue seems to have been hampered by time constraints in many cases. Considering the urgency of using resources, there is a risk that member states bypass consultations and avoid involvement of partners and civil society organisations, even when they have proved essential in preventing social exclusion of the most vulnerable groups during the lockdown.

⁷ See part II of Annex XI to [REGULATION \(EU\) No 1303/2013](#) of 17 December 2013

⁸ Examples of such practices came from Italy regarding discriminations in emergency [support for rents](#), [food vouchers](#) and employment, Asgi, 2020

⁹ For more information, Pilati, [An opportunity to improve the MFF permanently](#), EPC (18/06/2020)

¹⁰ Recovery Assistance for Cohesion and the Territories of Europe: [Proposal for a Regulation of the European Parliament and of the Council amending Regulation \(EU\) No 1303/2013](#) of 28 May 2020, p.11

¹¹ Sweco & Spatial Foresight & Nordregio, [Implementation of the partnership principle and multi-level governance in 2014-2020 ESF Funds](#), Final Report, July 2016

The EC should act pre-emptively to ensure that managing authorities implement the partnership principle through participation of civil society organisations¹², inter alia. Organisations that have played a key role in informing, representing and supporting vulnerable communities in the lockdown and its aftermath should also be involved in recovery so that the needs of all are incorporated.

5. Ensuring social inclusion is a top priority in all member states

The social consequences of the pandemic include increasing inequalities, with the most vulnerable groups in societies losing all sources of revenue and finding themselves without a social security net. Many people in precarious situations turned to civil society organisations for help, but these organisations are in turn experiencing financial difficulties.

Groups traditionally discriminated against in the labour market, such as asylum seekers, refugees and migrants, face higher risks of poverty and social exclusion. The REACT-EU proposal rightly stresses the need to mitigate the risk of increased unemployment by supporting job maintenance, including through short-term work schemes, support to the self-employed and job creation, in particular for people in vulnerable situations and for young people. Nonetheless, besides FEAD measures, little is planned beyond employment or to support people who do not have the right to work. The consequence will likely be an increase in destitution. Ensuring a smooth transition across funding programmes by expanding FEAD would be highly welcome, however it is uncertain whether and how much member states will decide to allocate to it.

Considering the above, the EC should recommend that member states update OPs to ensure that all vulnerable groups which have been hit by the pandemic are adequately addressed by REACT-EU resources, regardless of their residence status. This should be implemented by ensuring that all member states allocate part of the REACT-EU resources to FEAD.

Member states including an additional OP on “Fostering crisis repair in the context of the COVID-19” should make sure that they specify whether and how it addresses the specific needs of geographical areas most affected by poverty and target groups at highest risk of discrimination or social exclusion, focusing on

¹² For more information, ECRE – PICUM (2020) [Partnership in practice: the role of civil society in EU funded actions for the inclusion of migrants and refugees](#), Policy Note

marginalised communities disproportionately affected by the pandemic, such as third country nationals, including undocumented migrants.

6. Equally investing in all young people without perpetuating discriminations

The updated proposal for the ESF+ strengthens support to children and youth by setting as a new thematic focus reduction of child poverty (5% of the fund) and by increasing earmarking to actions aimed at supporting youth employment, vocational education and training, also with regards to implementation of the Youth Guarantee. Young third country nationals, including people with migrant and refugee backgrounds, face multiple barriers to accessing the labour market. First, access to the labour market is delayed for most asylum applicants, restricting the possibility of attending vocational training. Once they acquire protection status, many refugees still face obstacles¹³, including language barriers, a lack of information, and a lack of recognition of skills and qualifications – obstacles that may be exacerbated by the economic crisis. Undocumented young people are often excluded from the labour market and vocational training, even when it is linked to the compulsory education in which they participate¹⁴.

In some member states, access to the Youth Guarantee is subject to similar obstacles, as it is may be linked to language knowledge, for instance. Investing in young people should focus on tearing down barriers and not maintaining them. Additional funding should thus be used to provide support, including language courses, to newcomers to overcome gaps in readiness to join the labour market.

7. Prioritise the health of the most vulnerable in the next MFF

The pandemic showed that investing in health for everyone, including those who do not have access to mainstream health services due to their migration status, is a goal that ensures the protection of our societies as a whole. Next Generation EU removes the health programme from the ESF+, and instead establishes the EU4Health programme. However, healthcare is still

¹³ The multiple barriers in accessing employment and vocational training are illustrated, with examples from a number of member states, in: [Wolffhardt, Conte and Huddleston \(2019\), *The European benchmark for refugee integration: a comparative analysis of the national integration evaluation mechanism in 14 EU countries*](#), NIEM project, Migration Policy Group.

¹⁴ PICUM (2015) [Protecting undocumented children: Promising policies and practices from governments](#).

part of the ESF+, under its specific objective on timely access to quality, sustainable and affordable services. The EC should make sure that managing authorities are committed to investing in the health of the most vulnerable groups, including undocumented migrants, by funding access to healthcare services for marginalised communities, without barriers to eligibility.

8. Ensure support to civil society by direct funding

The updated EC proposal for the next MFF has reduced the allocation to the Rights and Values Programme, which together with the Justice Programme could be cut by about EUR 164m compared to [the 2018 proposal](#)¹⁵. Didier Reynders, EU Commissioner for Justice, has announced that the EC is reviewing this position, while the Council has promised an increase linked to the emphasis on the rule of law which is part of the deal-making among Member States on the recovery plan. The size of the (potential) increase has yet to be specified by either EC or Council.

The Rights and Values programme aims to promote equality and rights, including anti-discrimination and fighting intolerance, to combat all forms of violence, and to promote citizen engagement. A reduction in the Rights and Values programme would cut funds to NGOs promoting rights and European values. The proposed cut would also come at a challenging time for European values and while inequalities are widening, gender-based violence has increased during lockdown, racial tensions have been exacerbated, and civil society is at increased risk of repression. In times of crisis it is essential to invest in a culture of respect and diversity to combat extremism. Reducing a programme which allows the EU to directly support civil society is inexplicable. ECRE and PICUM support the expansion of the programme and its budget, and the promotion of EU values along the lines proposed by the European Parliament¹⁶ and agreed by the Council.

9. Ensure adequate resources for a functioning asylum and integration systems

The updated proposal from the EC increases the amount allocated to the Asylum, Migration and Integration Fund (AMIF) compared to the initial proposal. This could be positive in that the asylum systems in many member states are not performing effectively and it is widely agreed across the EC and most political groups that integration of third country nationals is a clear policy priority. The [proposal](#) from Charles Michel, president of the European Council, however, cuts the size of AMIF and proposes that 'a relevant' proportion of the funds in the thematic facility be used for external spending.

An increase in AMIF, such as that proposed by the EC, is positive so long as it is accompanied by earmarking so that adequate funds are spent on the objectives of Asylum and Integration. Conversely, a reduction of the fund below the 2018 proposal is alarming. In addition, it is recommended to limit AMIF funding outside the EU to actions that are intrinsically linked to the internal dimension of asylum and migration policies, in line with the Parliament's proposal.

Asylum, migration and integration are policy areas which were strongly affected by the lockdown and will continue to be affected as COVID-19 increases displacement globally. Additional funding needs emerged but this is not recognised by the recovery plan. A contingency plan for AMIF should be set up in line with the Parliament's requests, to ensure that it can keep funding beneficiaries and mitigate the risk of a funding gap.

¹⁵ [Proposal for a Regulation](#) of the European Parliament and of the Council establishing the Rights and Values Programme of 30 May 2020

¹⁶ European Parliament [legislative resolution of 17 April 2019](#) on the proposal for a regulation of the European Parliament and of the Council establishing the Rights and Values programme

III. Recommendations

› The European Parliament should:

- › Call for a minimum amount of REACT-EU resources for each fund (ERDF, ESF and FEAD), in order to ensure that all priorities are duly addressed and social inclusion is not deprioritised.
- › Propose a longer timeframe for the funds in REACT-EU, to avoid absorption problems and to ensure that resources can be spent on long-term programmes.
- › Amend the proposal to ensure that at the very least the *general ex-ante conditionalities*¹⁷ apply to the programming of the additional resources.
- › Ensure that the new thematic objective “Fostering crisis repair in the context of the COVID-19 pandemic and preparing a green, digital and resilient recovery of the economy” takes into account the needs of the geographical areas most affected by poverty and the target groups at highest risk of discrimination and social exclusion, with special regard to marginalised communities, including third country nationals.
- › Amend the mechanisms for:
 1. Transferring resources from fund to fund in the next MFF (CPR) and
 2. Reducing ESF+ thematic spending under exceptional circumstances¹⁸ using a delegated act with consultation of main stakeholders. This will preserve Parliament’s role in the financing of social policy.

› The European Commission should:

- › Propose to member states specific objectives under each fund for the REACT-EU resources, to ensure that programming covers all instruments, including those financing social inclusion.
- › Call for respect of the partnership principle, ensuring that comprehensive consultations are held with civil society, social partners and local authorities before the amendment of Operational Programmes.

- › Ensure that ESF+ objectives on access to social and health services are implemented, without restrictions due to residence status, by providing instructions, support and training to managing authorities drafting OPs.
- › Ensure that the Youth Guarantee is implemented without discrimination against disadvantaged young people including migrants and refugees. Managing authorities drafting OPs should be provided with instructions to avoid the perpetuation of obstacles to migrants’ integration in these programmes.

› Member states should:

- › Support and organise extensive consultation with civil society, local authorities and social partners on the programming of the REACT-EU funding.
- › Agree on an adequate budget for the ESF+ fund in line with the [resolution of the European Parliament \(2019\)](#) and in any case not lower than the initial proposal of the [European Commission \(2018\)](#).
- › Address children in migration as a target group of the Child Guarantee, to ensure that actions to reduce child poverty are not linked to the residence status of participants and their families.
- › Remove barriers to the participation of third country nationals in the Youth Guarantee and ensure that additional support is offered to those in need of such support, by programming specific actions for the integration of young third country nationals.
- › Agree to the budget proposed by the European Parliament for the Rights and Values programme and to the scope of the fund preliminarily agreed in the interinstitutional negotiations.
- › Endorse the AMIF budget proposed by the European Commission and propose a contingency plan to avoid funding gaps after December 2020.

¹⁷ See part II of Annex XI to [REGULATION \(EU\) No 1303/2013](#) of 17 December 2013

¹⁸ Amended proposal for a [Regulation of the European Parliament and of the Council on the European Social Fund Plus \(ESF+\)](#) of 28 May 2020, Article 37a

