



Brussels, 2.4.2020
COM(2020) 138 final

2020/0054 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulation (EU) No 1303/2013 and Regulation (EU) No 1301/2013 as regards specific measures to provide exceptional flexibility for the use of the European Structural and Investments Funds in response to the COVID-19 outbreak

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• **Reasons for and objectives of the proposal**

The direct and indirect effects of the COVID-19 outbreak continue to increase in all Member States. The current situation is unprecedented and requires exceptional measures adapted to the situation to be applied in these circumstances.

The first package of measures proposed by the Commission on 13 March 2020 introduced a number of important changes that allow for a more effective response in the current situation. In the meantime, the effects on our economies and societies become ever more serious. It is therefore necessary – as part of the second set of measures – to go beyond what is already possible and provide exceptional additional flexibility to respond to the current unprecedented situation, which led to activating the general escape clause under the Stability and Growth Pact.

In order to ensure that all support from the Funds can be mobilised to address the effects of the the COVID-19 outbreak on our economies and societies, as a temporary and exceptional measure, without prejudice to the rules that should apply under regular circumstances, it is necessary to allow for the temporary possibility of 100% co-financing from the EU budget for the implementation of cohesion policy programmes, as well as additional transfer possibilities between the European Regional Development Fund (ERDF), the European Social Fund (ESF), and the Cohesion Fund, and between categories of regions. Additionally, it is proposed to exempt Member States from the need to comply with thematic concentration requirements, to enable a redirection of resources to the areas most impacted by the current crisis. This derogation will allow all available resources from the ERDF, the Cohesion Fund and the ESF to be mobilised to overcome the unprecedented challenges the Member States are facing because of the COVID-19 outbreak. Member States and regions will be able to mobilise more resources for scaling up and extending short-time work schemes, for support to SMEs working capital and for immediate expenditure in the healthcare sector.

Furthermore, in order to eliminate administrative burden, unnecessary under the present circumstances, on national and European public administrations stemming from the modification of programmes, it is also necessary to refrain from amending Partnership Agreements and to postpone the deadline for the submission of annual implementation reports in 2020 as well as the deadline for Commission reports based on those. Furthermore, certain procedural requirements linked to audits and financial instruments will be simplified. Given the current limitations to perform necessary audit work, in the case of ERDF, ESF, EMFF and the Cohesion Fund, the extension of the possibility to make use of a non-statistical sampling method should be explicitly provided for. In order to enable a quick readjustment of financial instruments to provide an effective response to the COVID-19 outbreak, the review and update of the ex-ante assessment and supporting documents demonstrating that support provided was used for its intended purpose should no longer be required. Also, the possibilities for the support for working capital through financial instruments should be extended to the EAFRD.

Finally, it is proposed to allow for ERDF support to be provided for undertakings in difficulties due to these specific circumstances, thus ensuring consistency with the approach taken under the Temporary Framework for State Aid Measures to support the economy in the current COVID-19 outbreak and with rules for the granting of de minimis aid.

The COVID-19 outbreak is also likely to have serious impacts on the implementation of ongoing operations. National authorities may thus consider adjusting operations (e.g. deliverables, time limit for execution, etc.) in accordance with their national rules where necessary and justified, in a way to minimise the impact of the COVID-19 outbreak on the programmes. National authorities could also consider the possibility to select new operations or to launch new or additional calls for proposals if necessary.

There may be instances in which circumstances resulting from the COVID-19 outbreak qualify as a *force majeure* event under national law and thus constitute a valid justification for the incapacity to comply with an obligation. The Commission considers that all necessary flexibility should be deployed in dealing with failure by beneficiaries to fulfil obligations in a timely manner for reasons related to the COVID-19 outbreak (for example, the unavailability of staff). Equally, the Commission will display the same flexibility in assessing the compliance of Member States with their obligations. To ensure that Member States and regions can make full use of the support from the Funds, limited adjustments of the maximum amount of contribution from the Funds for each priority and category of regions should be allowed when establishing the amount of the final balance to be paid to the operational programmes.

These measures are complementary and additional to the legislative modifications proposed on 13 March 2020. They result from the close cooperation with Member States through the Coronavirus Response Investment Initiative Task Force where over 200 questions have already been addressed.

- **Consistency with existing policy provisions in the policy area**

The proposal is consistent with the overall legal framework established for the European Structural and Investment Funds (ESI) Funds and is limited to a targeted amendment of Regulation (EU) No 1303/2013 and of Regulation (EU) No 1301/2013. The proposal complements the Commission's proposal COM(2020) 113 of 13 March 2020 as regards specific measures to mobilise investments in the health care systems of the Member States and in other sectors of their economies in response to the COVID-19 outbreak (Coronavirus Response Investment Initiative) as well as all other measures aimed at addressing the current unprecedented situation.

- **Consistency with other Union policies**

The proposal is limited to targeted amendments of Regulation (EU) No 1303/2013 and Regulation (EU) No 1301/2013 and maintains consistency with other Union policies.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

The proposal is based on Articles 177, 178 and 322 of the Treaty on the Functioning of the European Union.

It provides for possibilities for a co-financing rate of 100% and financial flexibility under the Investment for Growth and Jobs goal between the ERDF, the ESF, and the Cohesion Fund, and between categories of regions. It provides clarity on the eligibility of expenditure affected by the measures put in place as a response to the public health crisis. It finally alleviates some requirements for Member States where these create administrative burdens that could delay implementation of measures to respond to the COVID-19 outbreak. These exceptional changes shall be without prejudice to the rules that should apply under regular circumstances.

- **Subsidiarity (for non-exclusive competence)**

The proposal aims to allow for derogations from certain limitations pursuant to currently applicable Union provisions in order to allow for the widest possible flexibility to mobilise existing investment resources to address the direct and indirect effects stemming from the unprecedented public health crisis in the context of the COVID-19 outbreak.

- **Proportionality**

The proposal is a limited and targeted change not going beyond what is necessary to achieve the objective of providing additional flexibility and legal certainty to mobilise investments in response to the widespread public health crises affecting the growth potential of regions and enterprises and the well-being of the general public.

- **Choice of the instrument**

A Regulation is the appropriate instrument to introduce the additional flexibilities needed to address these unprecedented circumstances.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

N/A

- **Stakeholder consultations**

There was no consultation of external stakeholders. However, the proposal follows extensive consultations with Member States and the European Parliament over recent weeks, and takes account of the more than 200 clarification and advice questions received from national authorities concerning their handling of crisis response measures through the Coronavirus Response Investment Initiative Task Force.

- **Collection and use of expertise**

N/A

- **Impact assessment**

An impact assessment has been carried out to prepare the proposals for Regulation (EU) No 1303/2013 and Regulation (EU) No 1301/2013. These current limited and targeted changes do not require a separate impact assessment.

- **Regulatory fitness and simplification**

N/A

- **Fundamental rights**

N/A

4. BUDGETARY IMPLICATIONS

The proposed modification does not imply any changes in the Multiannual Financial Framework annual ceilings for commitments and payments as per Annex I to Regulation (EU) No 1311/2013. The total annual breakdown of commitment appropriations under Regulation (EU) No 1303/2013 remains unchanged.

The proposal will facilitate an acceleration of programme implementation and resulting in a frontloading of payment appropriations.

The Commission will carefully monitor the impact of the proposed modification on payment appropriations in 2020 taking into account both the implementation of the budget and revised Member States forecasts.

5. OTHER ELEMENTS

• Implementation plans and monitoring, evaluation and reporting arrangements

The implementation of the measures will be monitored and reported upon in the framework of the general reporting mechanisms established in Regulation (EU) No 1303/2013.

• Explanatory documents (for directives)

N/A

• Detailed explanation of the specific provisions of the proposal

It is proposed to amend Regulation (EU) No 1303/2013 (the Common Provisions Regulation) to ensure that Member States may request amendments to operational programmes to enable a 100% EU co-financing rate to apply to the relevant operational programme for the accounting year 2020-2021 (Article 25a(1)). The Commission will assess and may propose on that basis an extension of this measure.

In addition, it is important to ensure that, for amendments to operational programmes following the entry into force of this Regulation, the possibility to transfer allocations for the year 2020 between the ERDF and the ESF as well as the Cohesion Fund under the Investment for Growth and Jobs goal are allowed without limitations (Article 25a(2)). Resources under the European territorial cooperation goal, the additional allocations to outermost regions as well as support to the Youth Employment Initiative and the Fund for European Aid to the most Deprived should not be affected by such transfers.

To accommodate Member States' needs to tackle the current specific challenges, Member States should be able to request a transfer from their allocations for the year 2020 between categories of regions. In order to ensure continued focus on less developed regions, the Member States should first examine other possibilities for transferring funding before considering transfers from the budget for the less developed regions given the potential negative implications of such transfers for the essential investments in the region of origin or for the completion of operations selected prior to the request for transfer (Article 25a(3) and (4)). For amendments to operational programmes submitted after the entry into force of this Regulation, the thematic concentration requirements should not apply (Article 25a(5)).

In addition, in order to enable Member States to concentrate on the necessary responses to the COVID-19 outbreak and reduce administrative burdens, certain procedural requirements linked to programme implementation and audits should be simplified. In particular, Partnership Agreements should no longer be amended (Article 25a(6)), the deadline for the submission of the annual implementation report should be postponed (Article 25a(8)), and the extension of the possibility for the Funds and the EMFF to make use of a non-statistical sampling method should also be explicitly provided for (Article 25a(12)). In addition, specific modalities for invoking *force majeure* in the context of decommitment are provided for (Article 25a(8)).

Eligibility of expenditure is also exceptionally allowed for completed or fully implemented operations fostering crisis response capacity in the context of the COVID-19 outbreak (Article

25a(7)). Such operations may be selected even before the necessary programme amendment is approved by the Commission.

In addition, where adjustments are necessary with regards to financial instruments in order to provide an effective response to a public health crisis, the review and update of the ex-ante assessment and supporting documents demonstrating that support provided was used for its intended purpose should not be required. Furthermore, the possibilities for the support for working capital under the EAFRD should be extended (Article 25a(10) and (11)).

Furthermore, it is also proposed to allow for additional flexibility at the closure of programmes to ensure that available resources are used to the largest extent (Article 1(3)).

Finally, it is proposed to amend Regulation (EU) No 1301/2013 to allow for ERDF support to be provided for undertakings in difficulties in these specific circumstances, thus ensuring consistency with the approach taken under the Temporary Framework for State Aid Measures to support the economy in the current COVID-19 outbreak and with rules for the granting of de minimis aid (Article 2).

Proposal for a

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THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,
Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 177, 178 and 322(1)(a) thereof,
Having regard to the proposal from the European Commission,
After transmission of the draft legislative act to the national parliaments,
Having regard to the opinion of the European Economic and Social Committee¹,
Having regard to the opinion of the Committee of the Regions²
Having regard to the opinion of the European Court of Auditors,
Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) Member States have been affected by the consequences of the COVID-19 outbreak crisis in an unprecedented manner. The crisis hampers growth in Member States, which in turn aggravates the serious liquidity shortages due to the sudden and important increase in public investments needed in their health care systems and other sectors of their economies. This has created an exceptional situation which needs to be addressed with specific measures.
- (2) In order to respond to the impact of the crisis, Regulations (EU) No 1303/2013 and (EU) No 1301/2013 have already been amended to allow more flexibility in the implementation of the programmes supported by the European Regional Development Fund ('ERDF'), the European Social Fund ('ESF') and the Cohesion Fund (the 'Funds') and by the European Maritime and Fisheries Fund ('EMFF'). In order to contribute to an effective response to the current crisis, the scope of support from the ERDF was considerably expanded.
- (3) However, the serious negative effects on EU economies and societies are becoming worse. It is necessary therefore to provide exceptional additional flexibility to Member States to enable them to respond to this unprecedented crisis by enhancing the possibility to mobilise all non-utilised support from the Funds.
- (4) With a view to alleviating the burden on public budgets responding to the crisis situation, Member States should be given the exceptional possibility to request for cohesion policy programmes a co-financing rate of 100% to be applied for the

¹ OJ C , , p. .

² OJ C , , p. .

accounting year 2020-2021, in accordance with budget appropriations and subject to available funding. Based on an assessment of the application of this exceptional co-financing rate, the Commission may propose an extension of this measure.

- (5) In order to provide enhanced flexibility to Member States for the reallocation of resources with a view to provide tailor-made responses to the public health crisis, possibilities for financial transfers under the Investment for Growth and Jobs goal between the ERDF, the ESF and the Cohesion Fund should be introduced or enhanced. Furthermore, transfer possibilities between categories of regions should also be exceptionally increased for Member States given the widespread impact of the public health crisis, while respecting Treaty objectives for cohesion policy. Resources under the European territorial cooperation goal, the additional allocations to outermost regions as well as support to the Youth Employment Initiative and the Fund for European Aid to the most Deprived should not be affected by such transfers.
- (6) In order to enable Member States to quickly deploy available resources to respond to the COVID-19 outbreak and taking into account that, given the advanced stage of implementation of the 2014-2020 programming period, reallocation of resources may only concern resources available for programming for the year 2020, it is justified to exceptionally exempt Member States from the need to comply with thematic concentration requirements until the end of the programming period.
- (7) In order to enable Member States to concentrate on the necessary response to the COVID-19 outbreak and to reduce administrative burdens, certain procedural requirements linked to programme implementation and audits should be simplified. In particular, Partnership Agreements should no longer be amended until the end of the programming period neither to reflect prior changes in operational programmes nor to introduce any other changes. The deadline for the submission of the annual implementation reports for the year 2019 should be postponed, as should be the transmission of the Commission's summary report based on those annual implementation reports. As regards the Funds and the EMFF, an extended possibility for audit authorities to make use of a non-statistical sampling method should also be explicitly provided for in respect of the accounting year 2019-2020.
- (8) It is also appropriate to specify that eligibility of expenditure is exceptionally allowed for completed or fully implemented operations fostering crisis response capacity in the context of the COVID-19 outbreak. Such operations may be selected even before the necessary programme amendment is approved by the Commission. In addition, specific modalities for invoking *force majeure* in the context of decommitment should be provided for.
- (9) In addition, in order to reduce administrative burdens and delays in implementation where changes in financial instruments are necessary to provide an effective response to a public health crisis, the review and update of the ex-ante assessment and updated business plans or equivalent documents as part of the supporting documents demonstrating that support provided was used for its intended purpose should no longer be required until the end of the programming period. In addition, the possibilities for the support for working capital through financial instruments under the EAFRD should be extended.
- (10) In order to ensure that Member States can make full use of support from the Funds or the EMFF, additional flexibility should be provided for the calculation of the payment of the final balance at the end of the programming period.

- (11) In order to facilitate the transfers authorised under this Regulation, the condition laid down in Article 30(1)(f) of the Financial Regulation regarding use of appropriations for the same objective should not apply in respect of transfers proposed under this Regulation.
- (12) In order to ensure consistency between the approach taken under the Temporary Framework for State Aid Measures to support the economy in the current COVID-19 outbreak and de minimis aid on the one hand and conditions for providing support to undertakings in difficulty under the ERDF on the other, Regulation (EU) No 1301/2013 should be amended to allow for the granting of support to such undertakings in these specific circumstances.
- (13) Since the objectives of this Regulation, namely to respond to the impact of the public health crisis by introducing flexibility measures in the field of providing support from the ESI Funds, cannot be sufficiently achieved by the Member States alone and can therefore, by reason of the scale and effects of the proposed action, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary to achieve those objectives.
- (14) Regulation (EU) No 1303/2013 and Regulation (EU) No 1301/2013 should therefore be amended accordingly.
- (15) Given the urgency of the situation related to the COVID-19 outbreak, it is appropriate that this Regulation enters into force on the date of its publication in the *Official Journal of the European Union*.
- (16) In view of the COVID-19 outbreak and the urgency to address the associated public health crisis, it is considered necessary to use the exception to the eight-week period referred to in Article 4 of Protocol No 1 on the role of national Parliaments in the European Union, annexed to the Treaty on European Union, to the Treaty on the Functioning of the European Union and to the Treaty establishing the European Atomic Energy Community,

HAVE ADOPTED THIS REGULATION:

Article 1

Amendments to Regulation (EU) No 1303/2013

Regulation (EU) No 1303/2013 is amended as follows:

- (1) the following new Chapter is added in Title II of Part Two:

“CHAPTER V

Exceptional measures for the use of the ESI Funds in response to the COVID-19 outbreak”;

“Article [25a]

Exceptional measures for the use of the ESI Funds in response to the COVID-19 outbreak

1. By way of derogation from Article 60(1) and the first and fourth subparagraph of Article 120(3), at the request of the Member State, a co-financing rate of 100% may be applied to expenditure declared in payment applications during the accounting year starting on 1 July 2020 and ending on 30 June 2021 for one

or more priority axes in a programme supported by the ERDF, the ESF or the Cohesion Fund.

Requests for modification of the co-financing rate shall be made through the procedure for amendment of programmes set out in Article 30 and shall be accompanied by the revised programme or programmes. The 100% co-financing rate shall only apply if the corresponding programme amendment is approved by the Commission at the latest before the submission of the final application for an interim payment in accordance with Article 135(2) CPR.

Before submitting the first payment application for the accounting year starting on 1 July 2021, Member States shall notify the table referred to in Article 96(2)(d)(ii), confirming the co-financing rate which was applicable during the accounting year ending on 30 June 2020 for the priorities concerned by the temporary increase to 100%.

2. In response to the COVID-19 outbreak, the resources available for programming for the year 2020 for the Investment for Growth and Jobs goal may, at the request of the Member States, be transferred between the ERDF, the ESF and the Cohesion Fund, irrespective of the percentages referred to in points (a) to (d) of Article 92(1).

For the purpose of these transfers, the requirements laid down in Article 92(4) shall not apply.

Transfers shall not affect resources allocated to the YEI in accordance with Article 92(5) and to the aid for the most deprived under the Investment for Growth and Jobs goal in accordance with Article 92(7).

Resources transferred between the ERDF, the ESF and the Cohesion Fund under this paragraph shall be implemented in accordance with the rules of the Fund to which the resources are transferred.

3. By way of derogation from Article 93(1) and in addition to the possibility provided for in Article 93(2), resources available for programming for the year 2020 may, at the request of the Member States, be transferred between categories of regions in response to the COVID-19 outbreak.
4. Requests for transfers under paragraphs 2 and 3 shall be made through the procedure for amendment of programmes set out in Article 30, shall be duly justified and shall be accompanied by the revised programme or programmes identifying the amounts transferred by Fund and by category of region, where relevant.
5. By way of derogation from Article 18 and Fund-specific Regulations, financial allocations set out in requests for programme amendments submitted or transfers notified pursuant to Article 30(5), on or after [*the date of the entry into force of this Regulation*], shall not be subject to requirements on thematic concentration as set out in this Regulation or the Fund-specific Regulations.
6. By way of derogation from Article 16, as from [*date of entry into force of this Regulation*], Partnership Agreements shall not be amended and programme amendments shall not entail the amendment of Partnership Agreements.

By way of derogation from Articles 26(1), 27(1), 30(1) and 30(2), as from [*date of entry into force of this Regulation*] the consistency of programmes and of their implementation with the Partnership Agreement shall not be verified.

7. For operations fostering crisis response capacities in the context of the COVID-19 outbreak as referred to in the second sub-paragraph of Article 65(10), Article 65(6) shall not apply.

By way of derogation from Article 125(3)(b), such operations may be selected for support by the ERDF or the ESF prior to the approval of the amended programme.

8. For the purposes of Article 87(1)(b), where the COVID-19 outbreak is invoked as a reason of *force majeure*, information on the amounts for which it has not been possible to make a payment application shall be provided at an aggregate level by priority for operations of total eligible costs of less than EUR 1 000 000.
9. The annual report on implementation of the programme referred to in Article 50(1) for the year 2019 shall be submitted by 30 September 2020 for all ESI Funds, by way of derogation from the deadlines set out in Fund-specific Regulations. The transmission of the summary report prepared by the Commission in 2020, in accordance with Article 53(1), may be postponed accordingly.
10. By way of derogation from Article 37(2)(g), no review or update of the ex-ante assessments shall be required where changes in financial instruments are necessary to provide an effective response to the COVID-19 outbreak.
11. Where financial instruments provide support in the form of working capital to SMEs pursuant to the second subparagraph of Article 37(4) [inserted by the CRII amendment], new or updated business plans or equivalent documents and evidence allowing verification that the support provided through the financial instruments was used for its intended purpose as part of the supporting documents shall not be required.

By way of derogation from Regulation (EU) No 1305/2013, such support may also be provided by the EAFRD under measures referred to in Regulation (EU) No 1305/2013 and relevant to the implementation of financial instruments. Such eligible expenditure shall not exceed EUR 200 000.
12. For the purposes of the second subparagraph of Article 127(1), the COVID-19 outbreak shall constitute a duly justified case that audit authorities may invoke based on their professional judgement to use a non-statistical sampling method for the accounting year starting on 1 July 2019 and ending on 30 June 2020.
13. For the purposes of application of Article 30(1)(f) of the Financial Regulation, the condition of appropriations being for the same objective shall not apply in respect of transfers under paragraphs 2 and 3.”;

(2) in Article 130, the following paragraph 3 is added:

“3. By way of derogation from paragraph 2, the contribution from the Funds or the EMFF through payments of the final balance for each priority per Fund and per category of regions in the final accounting year shall not exceed, by more than 10%, the contribution from the Funds or the EMFF for each priority per Fund and per category of regions as laid down in the decision of the Commission approving the operational programme.

The contribution from the Funds or the EMFF through payments of the final balance in the final accounting year shall not exceed the eligible public expenditure declared

and the contribution from each Fund and category of regions to each operational programme as laid down in the decision of the Commission approving the operational programme.”.

Article 2

Amendment to Regulation (EU) No 1301/2013

Point (d) of Article 3(3) Regulation (EU) No 1301/2013 is replaced by the following:

“Undertakings in difficulty as defined in Union State aid rules; undertakings receiving support complying with the State aid Temporary Framework³ or Commission Regulations (EU) No 1407/2013⁴, (EU) No 1408/2013⁵ and (EU) No 717/2014⁶ shall not be regarded as undertakings in difficulty for the purposes of this point.”.

Article 3

This Regulation shall enter into force on the day of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

³ OJ C 91 I, 20.3.2020, p. 1.

⁴ Commission Regulation (EU) No 1407/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid (OJ L 352, 24.12.2013, p. 1).

⁵ Commission Regulation (EU) No 1408/2013 of 18 December 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the agriculture sector (OJ L 352, 24.12.2013 p. 9).

⁶ Commission Regulation (EU) No 717/2014 of 27 June 2014 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the fishery and aquaculture sector (OJ L 190, 28.6.2014, p. 45).

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
amending Regulation (EU) No 1303/2013 and Regulation (EU) No 1301/2013 as regards specific measures to provide exceptional flexibility for the use of European Structural and Investment Funds in response to the COVID-19 outbreak

1.2. Policy area(s) concerned in the ABM/ABB structure⁷

4 Employment, Social affairs and Inclusion
13 Regional and Urban Policy

1.3. Nature of the proposal/initiative

- The proposal/initiative relates to **a new action**
- The proposal/initiative relates to **a new action following a pilot project/preparatory action**⁸
- The proposal/initiative relates to **the extension of an existing action**
- The proposal/initiative relates to **an action redirected towards a new action**

1.4. Objective(s)

1.4.1. *The Commission's multiannual strategic objective(s) targeted by the proposal/initiative*

N/A

1.4.2. *Specific objective(s) and ABM/ABB activity(ies) concerned*

Specific objective No

N/A

ABM/ABB activity(ies) concerned

N/A

1.4.3. *Expected result(s) and impact*

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

N/A

⁷ ABM: activity-based management; ABB: activity-based budgeting.

⁸ As referred to in Article 54(2)(a) or (b) of the Financial Regulation.

1.4.4. *Indicators of results and impact*

Specify the indicators for monitoring implementation of the proposal/initiative.

N/A

1.5. Grounds for the proposal/initiative

1.5.1. *Requirement(s) to be met in the short or long term*

N/A

1.5.2. *Added value of EU involvement*

N/A

1.5.3. *Lessons learned from similar experiences in the past*

N/A

1.5.4. *Compatibility and possible synergy with other appropriate instruments*

N/A

1.6. Duration and financial impact

Proposal/initiative of **limited duration**

– Proposal/initiative in effect from 1/7/2020 to 30/6/2021

– Financial impact in 2020 - 2025

Proposal/initiative of **unlimited duration**

– Implementation with a start-up period from YYYY to YYYY,

– followed by full-scale operation.

1.7. Management mode(s) planned⁹

Direct management by the Commission

– by its departments, including by its staff in the Union delegations;

– by the executive agencies

Shared management with the Member States

Indirect management by entrusting budget implementation tasks to:

– third countries or the bodies they have designated;

– international organisations and their agencies (to be specified);

– the EIB and the European Investment Fund;

– bodies referred to in Articles 208 and 209 of the Financial Regulation;

– public law bodies;

– bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;

⁹ Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: http://www.cc.cec/budg/man/budgmanag/budgmanag_en.html

- bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;
- persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.
- *If more than one management mode is indicated, please provide details in the 'Comments' section.*

Comments

N/A

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

N/A

2.2. Management and control system

2.2.1. Risk(s) identified

N/A

2.2.2. Information concerning the internal control system set up

N/A

2.2.3. Estimate of the costs and benefits of the controls and assessment of the expected level of risk of error

N/A

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures.

N/A

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number [Heading.....]	Diff./Non-diff. ¹⁰	from EFTA countries ¹¹	from candidate countries ¹²	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
1b Smart and Inclusive Growth: European Regional Development Fund, the European Social Fund, the Cohesion Fund	4 Employment, social affairs and inclusion 13 Regional and Urban Policy	Diff.	NO	NO	NO	NO

- New budget lines requested

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number [Heading.....]	Diff./Non-diff.	from EFTA countries	from candidate countries	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
	[XX.YY.YY.YY]		NO	NO	NO	NO

¹⁰ Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

¹¹ EFTA: European Free Trade Association.

¹² Candidate countries and, where applicable, potential candidate countries from the Western Balkans.

3.2. Estimated impact on expenditure

The proposed modification does not imply any changes in the Multiannual Financial Framework annual ceilings for commitments and payments as per Annex I to Regulation (EU) No 1311/2013.

The total annual breakdown of commitment appropriations for the European Regional Development Fund, the European Social Fund and the Cohesion Fund remains unchanged.

The proposal will result in a frontloading of payment appropriations for the accounting year starting on 1 July 2020 and ending on 30 June 2021, as estimated below.

3.2.1. Summary of estimated impact on expenditure

EUR million in current prices (to three decimal places)

Heading of multiannual financial framework	Number 1b	Smart and Inclusive Growth
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DG: EMPL, REGIO				2020	2021	2022	2023	2024	2025	TOTAL
• Operational appropriations										
1b: Economic, social and territorial cohesion	Commitments			0,00 0	0,00 0	0,000	0,000	0,000	0,000	0,000
European Regional Development Fund, the European Social Fund, the Cohesion Fund		(1)								

	Payments	(2)		8 500, 000	6 100, 000	0,000	-7 300,000	-7 300,000	0,000	0,000
Appropriations of an administrative nature financed from the envelope of specific programmes ¹³										
N/A		(3)								
TOTAL appropriations for DG EMPL, REGIO	Commitments	= 1 + 1 a + 3		0,00 0	0,00 0	0,000	0,000	0,000	0,000	0,000
	Payments	= 2 + 2 a + 3		8 500, 000	6 100, 000	0,000	-7 300,000	-7 300,000	0,000	0,000

• TOTAL operational appropriations	Commitments	(4)		0,00 0	0,00 0	0,000	0,000	0,000	0,000	0,000
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¹³ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

	Payments	(5)		8 500, 000	6 100, 000	0,000	-7 300,000	-7 300,000	0,000	0,000
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes			(6)							
TOTAL appropriations under HEADING 1b of the multiannual financial framework	Commitments	= 4 +		0,00 0	0,00 0	0,000	0,000	0,000	0,000	0,000
	Payments	= 5 +		8 500, 000	6 100, 000	0,000	-7 300,000	-7 300,000	0,000	0,000

If more than one heading is affected by the proposal / initiative:

• TOTAL operational appropriations	Commitments	(4)								
	Payments	(5)								
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes			(6)							
TOTAL appropriations under HEADINGS 1 to 4 of the multiannual financial framework (Reference amount)	Commitments	=4+ 6								
	Payments	=5+ 6								

Heading of multiannual financial framework	5	‘Administrative expenditure’						
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EUR million (to three decimal places)

		Year N	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL
DG: <.....>									
• Human resources									
• Other administrative expenditure									
TOTAL DG <.....>	Appropriations								

TOTAL appropriations under HEADING 5 of the multiannual financial framework	(Total commitments = Total payments)								
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EUR million (to three decimal places)

		Year N ¹⁴	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL
TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework	Commitments								
	Payments								

¹⁴ Year N is the year in which implementation of the proposal/initiative starts.

3.2.2. *Estimated impact on operational appropriations*

- The proposal/initiative does not require the use of operational appropriations
- The proposal/initiative requires the use of existing operational appropriations (no changes):

Commitment appropriations in EUR million (to three decimal places)

Indicate objectives and outputs ↓			Year N		Year N+1		Year N+2		Year N+3		Enter as many years as necessary to show the duration of the impact (see point 1.6)						TOTAL	
	OUTPUTS																	
	Type ¹⁵	Average cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	No	Cost	Total No	Total cost
SPECIFIC OBJECTIVE No 1 ¹⁶ ...																		
- Output																		
- Output																		
- Output																		
Subtotal for specific objective No 1																		
SPECIFIC OBJECTIVE No 2 ...																		
- Output																		
Subtotal for specific objective No 2																		
TOTAL COST																		

¹⁵ Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).

¹⁶ As described in point 1.4.2. ‘Specific objective(s)...’

3.2.3. Estimated impact on appropriations of an administrative nature

3.2.3.1. Summary

- The proposal/initiative does not require the use of appropriations of an administrative nature
- The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

	Year N ¹⁷	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL
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HEADING 5 of the multiannual financial framework								
Human resources								
Other administrative expenditure								
Subtotal HEADING 5 of the multiannual financial framework								

Outside HEADING 5¹⁸ of the multiannual financial framework								
Human resources								
Other expenditure of an administrative nature								
Subtotal outside HEADING 5 of the multiannual financial framework								

TOTAL								
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The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

¹⁷ Year N is the year in which implementation of the proposal/initiative starts.

¹⁸ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former ‘BA’ lines), indirect research, direct research.

3.2.3.2. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources.
- The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full time equivalent units

	Year N	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)		
• Establishment plan posts (officials and temporary staff)							
XX 01 01 01 (Headquarters and Commission's Representation Offices)							
XX 01 01 02 (Delegations)							
XX 01 05 01 (Indirect research)							
10 01 05 01 (Direct research)							
• External staff (in Full Time Equivalent unit: FTE)¹⁹							
XX 01 02 01 (AC, END, INT from the 'global envelope')							
XX 01 02 02 (AC, AL, END, INT and JED in the delegations)							
XX 01 04 yy ²⁰	- at Headquarters						
	- in Delegations						
XX 01 05 02 (AC, END, INT - Indirect research)							
10 01 05 02 (AC, END, INT - Direct research)							
Other budget lines (specify)							
TOTAL							

XX is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary staff	
External staff	

¹⁹ AC= Contract Staff; AL = Local Staff; END= Seconded National Expert; INT = agency staff; JED= Junior Experts in Delegations.

²⁰ Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

3.2.4. Compatibility with the current multiannual financial framework

- The proposal/initiative is compatible the current multiannual financial framework.
- The proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.

Explain what reprogramming is required, specifying the budget lines concerned and the corresponding amounts.

- The proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework.

Explain what is required, specifying the headings and budget lines concerned and the corresponding amounts.

3.2.5. Third-party contributions

- The proposal/initiative does not provide for co-financing by third parties.
- The proposal/initiative provides for the co-financing estimated below:

Appropriations in EUR million (to three decimal places)

	Year N	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)			Total
Specify the co-financing body								
TOTAL appropriations co-financed								

3.3. Estimated impact on revenue

- The proposal/initiative has no financial impact on revenue.
- The proposal/initiative has the following financial impact:
 - on own resources
 - on miscellaneous revenue

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year	Impact of the proposal/initiative ²¹						
		Year N	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)		
Article								

For miscellaneous 'assigned' revenue, specify the budget expenditure line(s) affected.

Specify the method for calculating the impact on revenue.

²¹ As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25 % for collection costs.