EU funding in 2021–2027: what's new? 2/12/21

The Covid-19 pandemic has undeniably caused an economic downturn that has dealt a nasty blow not only to the European and global economy but to each company and its employees. So it makes sense that the new EU funding period, launched amid a global pandemic, aims to help minimise the adverse effects of Covid-19 in the distant future as well. Most of the funding (e.g. Cohesion Policy programmes) available to the member states during the new planning period are familiar but there are also some new programmes. Each programme focuses on achieving the goals of a greener and smarter Europe.

Cohesion Policy

Cohesion Policy is the main EU investment policy aimed at promoting urban development and minimising socio-economic disparities between EU regions. Cohesion Policy covers hundreds of thousands of projects across Europe and draws financing from the European Regional Development Fund, the Cohesion Fund and the European Social Fund, renamed the European Social Fund Plus combining several EU social support programmes for the new period.

Cohesion Policy has five goals for the new period:

1. a smarter Europe;
2. a greener Europe;
3. a better connected Europe;
4. a more social Europe;
5. a Europe closer to citizens.

Within these goals, member states will be formulating their cohesion policies at national level. The pandemic and the busy schedules of the national and EU institutions are likely to delay the absorption of funding for the new period.[1] According to the latest data, all the necessary legislation could take effect this summer, while the absorption of funding could begin in late 2021 or early 2022.

The 2021–2027 EU funding period brings not only new challenges but also new rules for implementing Cohesion Policy. The Council is debating a regulation for the new EU funding period that will be the first to combine the terms of several EU funds into a single enactment. The regulation is to be only half as long as the previous one to ease the administrative burden on the institutions and recipients of financing and to make EU funding rules more comprehensible. This is a significant step in absorbing EU funds because complicated and administratively cumbersome rules have been historically among the reasons why many companies did not take part in the selection of applications for EU funding projects.

The new regulation promises to reduce the number of compliance criteria, to stop the practice of large projects requiring approval from the European Commission ("EC"), to facilitate expense calculations, and to relax the project audit requirements.[2]

The Recovery and Resilience Facility ("RRF")

To deal with the economic and social damage caused by the Covid-19 pandemic, to stimulate European recovery and to protect and create jobs, the EC has proposed an ambitious European recovery plan. A substantial part of the European recovery financing will go towards the RRF, a new budget programme managed centrally by the EC.

The RRF aims to support reform and investment, especially with the transition to a green and digital economy, and to minimise the social and economic implications of the Covid-19 crisis. The absorption of RRF funding is expected for the period up to mid-2026. The Finance Ministry estimates the portion of EU funding guaranteed for Latvia at around EUR 1.65 billion.[3] Although the work on the RRF plan continues, the selection of projects could begin in the second half of 2021. Projects can be submitted by entrepreneurs and by central and local government organisations. The RRF is a great opportunity for entrepreneurs to carry out projects related to development and technology innovation towards greener thinking.

The RRF works in six directions:

1. Climate change and sustainability;
2. Digital transformation;
3. Economy transformation and productivity reform;
4. Health;
5. Minimisation of disparity;
6. The rule of law.

As with Cohesion Policy, most of the funding goes towards green and digital.

The Just Transition Fund ("JTF")

The JTF supports investment in the economic diversification of areas hit hardest by climate change – regions with the highest carbon intensity and social challenges in terms of potential job losses. The JTF implementation is to begin this May and is closely linked to the Green Deal. One of the JTF's aims is to help companies shift their business into a direction that is more friendly and sustainable for the environment, such as stopping the extraction and use of peat for energy.

Conclusions

The planning for the period and the drafting of legislation are under way despite many unanswered questions about how the EU funds will be implemented and absorbed in the new period. Since preparing a quality funding project takes a long time, companies should monitor the planning process for the new period, especially in the second half of 2021, because that is when the legislation could take effect and the selection of projects could begin within Cohesion Policy programmes as well as the RRF and the JTF.[4]

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[1] Informative report

[2] A summary of all reliefs and differences from the previous year is available here

[3] https://www.esfondi.lv/atveselosanas-un-noturibas-mehanisms

[4] Details available here