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Rialtas na hÉireann  
Government of Ireland

## PMC Meeting 29 September 2020

### Agenda Item 6. REACT-EU

REACT-EU (Recovery Assistance for Cohesion and the Territories of Europe) is a €47.5bn initiative under the European Recovery Instrument which will provide funding to existing cohesion policy programmes to respond to the impact of COVID-19 and prepare a green, digital and resilient recovery of the economy. The resources will be provided in 2021 (€37.5bn) and 2022 (€10bn).

Allocations will be made at Member State level and each MS will distribute the resources across the ERDF and ESF and can include an allocation for the Fund for European Aid to the Most Deprived (FEAD). Ireland's allocation is expected to be in the region of €215m to €240m to cover the years 2021 and 2022. Up to 100% EU co financing is optional and expenditure eligibility is from February 2020 to end 2022. There will be a single evaluation per Member State covering all additional resources allocated to be completed by end 2024.

The resources can be used for the following:

- ESF: maintaining jobs (short-time work schemes can be supported even when that support is not combined with active labour market measures, unless required by national law); creating new jobs; youth employment measures; education and training and skills development, in particular to support the twin green and digital transitions; and access to social and health care services (including for children).
- ERDF: investment in products and services for health services; working capital or investment support to SMEs; the transition towards a digital and green economy; investments in infrastructure providing basic services to citizens; and economic measures in the regions which are most dependent on sectors most affected by the crisis.

The additional resources will be programmed via new priorities under existing Operational Programmes or via a new Operational Programme (OP) and will be implemented in accordance with the rules of the Fund to which they are allocated or transferred. Up to 4% of the total additional resources under the ERDF and the ESF may be allocated to technical assistance.

In its July 2020 conclusions, the European Council agreed that an overall climate target of 30% would apply which results in a target of 25% to apply to REACT EU financing. The Presidency compromise proposal on the draft Regulation on REACT-EU incorporates a recital to this effect.

In their letter to Minister McGrath on 29th July, 2020, the Regional Affairs and Employment Commissioners noted that REACT-EU funds must be implemented in line with Treaty obligations and should target geographical areas hardest hit by the pandemic as well as focussing on green and digital transitions.

Following the Commission decision adopting an OP or approving the amendment to an OP, initial prefinancing will be paid at a rate of 6% of the 2021 allocation, while the REACT EU resources will be added to the overall OP values for the payment of annual prefinancing in 2021-2023 (i.e. at 3%).

The REACT-EU proposal is still under negotiation. The European Council agreed its partial position on 17 July and reached agreement on financial aspects at the July European Council, which are now being added to the mandate. The Regional Development Committee in the EP adopted a Report on 7.9.2020 and the Parliament plenary is expected to give the mandate for inter-institutional negotiations during its September sitting.