Department for Business, Energy & Industrial Strategy

Lord Callanan
Minister for Climate Change and Corporate Responsibility

Department for Business, Energy & Industrial Strategy
1 Victoria Street
London
SW1H 0ET

T +44 (0) 20 7215 5000
E enquiries@beis.gov.uk
W www.gov.uk

Lord Kinnoull
Chair
European Union Committee
House of Lords
London
SW1A 0PW

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Dear Lord Kinnoull,

European Commission (EC) Coronavirus Response Investment Initiative (CRII)

Thank you for your letter of 21 May 2020 about the European Commission's (EC) proposal "Coronavirus Response Investment Initiative" (CRII) and Explanatory Memoranda 6816/20 and 7154/20.

At this stage I can provide you with some initial views about the CRII proposals, which, as you know, enable available cash reserves in European Structural Investment Fund (ESIF) programmes to be used to deal with the economic and health care impacts of Coronavirus COVID19.

The initiatives (CRII and CRII+) provide a package of flexibilities including measures to vary ESI Funds intervention rates and spending levels in Priority Axes, to transfer funding between places, and other flexibilities such as the release of existing ESI Funds pre-financing. Together they provide a range of opportunities for the UK and individual EU Member States.

Managing Authorities across the UK are working rapidly to consider the opportunities that will be of most benefit for each programme, alongside the Government's economic support package and the EU's Temporary State Aid Framework.

The Managing Authorities are focusing on implementing measures to help existing projects get through this challenging period. Advice to grant recipients and project partners has been published and is updated regularly. Our Managing Authorities are also reviewing the potential to adjust some activities in line with the recovery needs of businesses as the current conditions subside. In all cases, our Managing Authorities are ensuring that any ESIF activities intended to help address Covid 19 challenges across the UK complement and build upon the latest Government and Devolved Administration business and health support measures.

Key actions include:

- Working with partners to provide assurance on flexibility for repurposing funds in order to support business survival and job protection in the most exposed sectors of the economy.
- Using electronic and desk-based methods for verifying claims whilst ensuring regulations are met; extending application and claim deadlines; postponing inspections; and introducing new arrangements for paying claims on the basis of alternative evidence where an on-site visit is not possible.
- Delivering activities to businesses and stakeholders via remote and other innovative means.
- Greater flexibility for existing Financial Instruments to provide working capital to SMEs to help mitigate the impact of the crisis.
- Investment to enhance access to healthcare equipment.
- Funding for existing operations to refocus some of their activity to produce products and services in health services.
- Accelerating plans for the use of unallocated European Regional Development Fund (ERDF) resource in England to support economic recovery.
- Examining the Commission's recently announced proposal for a one-off lump sum emergency support payment to farmers and to SMEs active in processing, marketing and/or development of agricultural products.

Our Managing Authorities are working actively with key stakeholders, such as elected Mayors, local authorities, business groups and the health sector to ensure that support is responsive to local needs.

The CRII+ has removed the thematic concentration requirements for future programme amendments; however, the majority of funding is already contracted, or in appraisal across the UK and reflects the priority afforded to low carbon interventions. Such low carbon interventions therefore continue to align with local and national priorities and any movement of funds is not expected to be significant. As structural funds are a devolved function it will be a decision for Ministers in the devolved administrations to make. This also applies to decisions on amounts of match funding being made available.

Your letter refers to the pre-financing funds (£264m) that are being made available through CRII. However, it is important to note that this relates to the management of existing programme allocations and there has been no additional resource 'released for the UK's use' as a result of the CRII package, which was limited to flexibilities in the use of existing programme funding. The purpose of the CRII package was to help liquidity with existing funds. The programmes are at varying stages of commitment, but all are considering the extent to which pipeline and uncommitted monies can be repurposed to respond to COVID-19 impacts. The amendments provide flexibilities for the use of existing allocations to Member States and the UK. The provisions contained within the CRII+ amendment include the flexibility to move towards 100% co-financing which can be applied to expenditure declared in payment applications during the accounting year 1 July 2020 to 30 June 2021.

The Managing Authorities are considering the areas of the programme where such flexibility on intervention rates may be appropriate. It is important to note that because the CRII amendments do not involve additional resource, the adoption of this flexibility will effectively reduce the overall size of ESIF Programmes in the UK where it is employed. The Managing Authorities are therefore seeking to balance the advantages of this particular flexibility - which helps contribute to some of the immediate challenges faced in response to the COVID-19 outbreak - against the curtailment of medium to longer investment opportunities (which include match funding) within the programme up to 2023.

BEIS represents the UK Managing Authorities and Devolved Administrations at the EC Taskforce meetings on CRII and attended the introductory Taskforce meeting with EU Member States on 30 March. BEIS will continue to work with Managing Authorities and Devolved Administrations to update the EC on the UK's response to the CRII proposals at future Taskforce meetings.

The UK Managing Authorities will continue to review how best to use CRII flexibilities for each ESIF Programme and determine what levels of funding will be available for projects to address the economic and health impacts of COVID-19. I expect to be able to update the European Union Committee with more details about this later in the summer.

Lord Callanan