

**JOINT STATEMENT
Of Bulgaria, Croatia, Czech
Republic, Estonia, Hungary,
Latvia, Lithuania, Poland,
Romania and Slovakia on the needs
and challenges regarding the
unprecedented humanitarian
migration to the European Union
and response of Cohesion Policy to
the consequences of the Russian
aggression in Ukraine**

Dear Commissioners

Valdis Dombrovskis
Elisa Ferreira
Johannes Hahn
Ylva Johansson
Margaritis Schinas
Nicolas Schmit

Unfortunately, war has been ignited again on the European continent. Due to illegal Russia's military aggression, Ukraine is being forced to suffer tragic losses of lives, humanitarian challenges, together with the destruction of its steadily growing economy, infrastructure and richly unique society and culture. It's of utmost importance to do everything possible to support Ukraine and its people at this critical time.

The Russian invasion in Ukraine causes unprecedented challenges for the European Union as well. Many of those challenges are still unfolding, however, it is already clear that the negative impact is asymmetric and that several of the effects, especially humanitarian ones, are particularly and disproportionately severe in the undersigned Member States. At this moment more than 5.3 million Ukrainians have arrived in our countries, while nearly half of them are children.

We are of the opinion that as a first step the means still available in the EU budget should be mobilized to tackle the ramifications of the war, including special instruments (mainly Solidarity and Emergency Aid Reserve and Flexibility Instrument, margin of the EU Budget 2022) and budgetary flexibility planned for future years, as necessary. However, given the exceptional nature of the circumstances, ad hoc solutions may be necessary to provide an adequate response at EU level to the evolving refugee crisis.

We welcome the recent Commission's actions and proposals so far enabling to take full use of the existing funding still available from the financial period 2014-2020 to support the reception of refugees, i.e. Cohesion's Action for Refugees in Europe (CARE), access to EU funding via simplified cost options and the increase of REACT-EU pre-financing. However, the possibilities to use the funding from the period 2014-2020 in our countries are limited or in some cases non-existent. The remaining REACT-EU allocations are still needed for its original objective, i.e. to respond the COVID-19 crisis and to prepare a green, digital and resilient recovery of the economy. Therefore, more solutions ought to be provided to help Member States assist the people fleeing to the European Union from Ukraine.

While Cohesion Policy has helped us to withstand economic crises in the past and has helped to build strong foundations to our economies, it cannot and should not be the only and main financial answer to this crisis in Member States as this would endanger reaching the long-term EU convergence objectives of the Policy set out in the Treaty. Therefore, we recall the European Council conclusions of 24 and 25 March 2022, which invited the Commission to work on additional proposals to reinforce EU support for refugees and their hosts. These proposals should consider options for mobilizing additional financial resources.

Furthermore, our economies are severely affected by the consequences of the war. Supply chains have been disrupted and there is a lack of some key construction materials (*inter alia* steel and timber). As most Ukrainian workers have left our countries to fight for the sovereignty of their country, the shortages of labour force have already become evident, in particular in the construction and transport sectors. The prices of construction services and materials have been increasing at a very high pace, even 50% and above. This comes on top of already high inflation and energy costs. Moreover, the national, regional and local budgets face even higher and very significant budgetary burdens directly related to hosting the refugees, including the provision of social and health care benefits to mothers and children who are currently not available for the integration into the labour market. A vast majority of Member States most exposed to the new crisis will very likely see a lowering of their grants under the Recovery and Resilience Facility as well. This further increases the fiscal pressure on those Member States. In this regard appropriate measures to address this should be considered by the Commission in the relevant work streams.

All those factors disrupt the implementation of Cohesion Policy projects to a large extent, both in terms of costs and timeframe and should be classified as Force Majeure as they are clearly beyond the control of Member States and beneficiaries. It should be of our common interest to help beneficiaries overcome these obstacles since they are the essential ones who fulfil the Cohesion Policy objectives. In consequence some adjustments to the regulatory framework should be made.

Regarding the regulatory framework for 2014-2020 an extension of the eligibility period for at least one year should be provided for the sectors or projects directly affected by the current

circumstances. Extension of the 100% co-financing rate for another accounting year is also needed. Remaining allocations of the Cohesion Fund should be made available to address the migratory challenges. And all other possibilities, which do not require legislative changes, must also be implemented (i.e. by amending the guidelines for the closure of 2014-2020 programmes).

Regarding the financial period and the respective regulatory framework for 2021-2027, phasing options for projects started in the period 2014-2020, which could not be completed on time, need to be improved. This requires lowering the minimum limits for projects that can be phased and partially financed from the 2021-2027 programmes and exempting them from the thematic concentration requirements, as these are the main obstacles to use phasing in a meaningful way.

We also propose to create an optional reserve up to 5% in the national Cohesion envelopes, which could be used by Member States to address the direct and indirect impacts of war without additional bureaucracy and without delaying the ongoing negotiations on the content of new programmes. In addition, we need more flexibility to transfer resources between priorities and programmes, a possibility to support already completed or fully implemented operations and we propose a 100% co-financing rate for at least the first year of the programming period, counting from the date of a programme approval (supported with sufficient payments from the EU budget for the year 2022 and 2023).

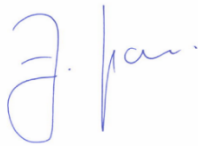
Finally, while the management of immediate effects of the war is a priority, many structural challenges and transformations have also become even more pressing because of this war. The new generation of Cohesion Policy programmes and Partnership Agreements should be approved without delays and maintain their strategic focus on mid- and long-term challenges such as structural reforms, green, just and digital transition.

Please find in the annex our more detailed proposals.

Yours sincerely,



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BULGARIA



Zdravko Marić
Minister of Finance
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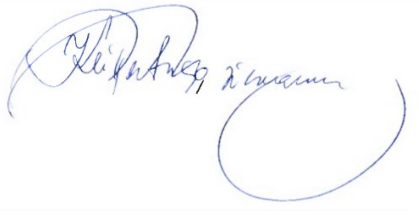
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