Displacement from Ukraine: the EU’s financial response

Policy Note
I. Introduction

The Russian invasion of Ukraine has caused the displacement of more than 7.5 million people to other European countries including over 1.5 million to Poland, Romania, Slovakia and Hungary. The EU has responded with fast and unprecedented measures, including triggering the Temporary Protection Directive for the first time, and easing access to EU funds to support the reception of people fleeing Ukraine.

In order to support its financial response, the EU has adopted a number of legislative changes targeting cohesion policy and Home Affairs funds, primarily through making access to unspent resources from the 2014-2020 budget cycle faster and less cumbersome.

II. Overview of the new measures

Since the beginning of the war in Ukraine, the European Parliament and the Council (hereinafter referred to as co-legislators) have agreed on a number of legislative packages, mainly aimed at mobilising resources from unspent Cohesion and Home Affairs funds from the previous funding period (2014-2020). Below, the changes are described for each set of funds.

Cohesion policy funds

Since March 2022, the co-legislators have adopted several packages modifying the legal framework governing cohesion policy funds – the European Regional Development Fund (ERDF), European Social Fund (ESF) and the Fund for European Aid for the Most Deprived (FEAD).

They have also adopted measures to bring forward pre-payments of Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU) tranches. The latest proposal was presented by the European Commission at the end of June 2022 under the Flexible Assistance to Territories (FAST CARE) package; it was approved by the Council in July and endorsed by the European Parliament in October 2022.

By amending the 2013 Common Provision Regulation and the Regulation on the Fund for European Aid to the Most Deprived (FEAD), Member States and regions are now allowed to use unspent money from the 2014-2020 budget cycle. As a top up to these resources, the amendments to the REACT-EU Regulation immediately
released planned payments to Member States from the Coronavirus crisis response instrument. As a result, Member States have received their REACT-EU envelopes months in advance in order to cover immediate needs.

The measures allow Member States and regions to interchangeably use funding from the ERDF and ESF for actions that support people fleeing Ukraine. They can either use ongoing projects, or if not already part of the programming, they can amend their operating plans to include actions in the areas of employment, education, social inclusion, health, childcare, basic material assistance and so on. These activities can also benefit from co-financing rates of up to 100% (i.e. with no matching funding requirement) for all cohesion policy funds (ERDF, ESF, FEAD and Cohesion Fund). In addition, changes to FAST CARE allow full co-financing of a new priority related to activities promoting the socio-economic inclusion of all third-country nationals and stateless persons for both 2014-2020 and 2021-2027 budget periods (until 2024). Furthermore, FEAD programmes can be quickly modified to cover basic material assistance for refugees from Ukraine without requiring a formal Commission decision.

**Home Affairs funds**

As part of the response, the rules governing the Asylum Migration and Integration Fund (AMIF) and Internal Security Fund (ISF) for the 2014-2020 budgetary period have also been modified.

The changes follow a similar logic to that adopted for cohesion policy funds, by allowing Member States to, first, use unspent resources from the previous budgetary period and, second, revise their national programmes to include actions related to Ukraine response for the remainder of the programming period. In addition, to avoid funding gaps between the previous and new budget cycles, the eligibility and implementation period of projects can be extended until 2024.

Furthermore, with a modification to the General Budget for 2022, the Commission made available 400 million euros for AMIF and the Border Monitoring and Visa Instrument (BMVI) from the 2021-2027 budget, to be disbursed in the form of Emergency Assistance (EMAS). By June 2022, 248 million euros had been identified, of which over 150 million were disbursed to support Poland, Hungary, Slovakia, Czechia and Romania, via both AMIF and BMVI Emergency Assistance channels.
EU funding for Ukraine response (EUR)

** HOME AFFAIRS FUNDING

- Unspent Home Affairs funds (ISF & AMIF, 2014-2020)
- EMAS 2022 (Home Affairs 2021-2027)

** REACT-EU (2022 allocations)

- Pre-financing

** Unspent Cohesion funds (2014-2020)

** COHESION FUNDING (CARE actions)

- REACT-EU (2022 allocations)
- REACT-EU (pre-financing)
- Unspent Cohesion funds (2014-2020)

** 2014-2020 budget cycle

- Access to unspent EU funds from 2014-2020 budgetary period
  - Member States can revise their national programmes to use unspent funds for Ukraine response activities
  - Extended eligibility and implementation periods until 2024

** 2021-2027 budget cycle – Emergency Assistance (EMAS)

- 30% of financial support for civil society organisations and local authorities
  - Not a legal requirement
  - Modification of the Thematic Facility 2021-2022
    - 400 million for EMAS. Over 150 million euros to Poland, Hungary, Slovakia, Czechia and Romania
    - Calls on inclusion for 2022 have been cancelled

** Access to unspent EU funds from 2014-2020 budgetary period

- Possibility to use funding from different programmes interchangeably (ERDF; ESF; Cohesion Fund)
- Simplified use of FEAD for providing material assistance
- Retroactive (24 February 2022)

** Co-financing rates of 100% for all actions targeting Ukraine response

- For activities targeting Ukraine response for 2014-2020 budget (ERDF, ESF, Cohesion Fund, FEAD)
- For new activities promoting socio-economic inclusion of all third-country nationals and stateless persons for 2014-2020 and 2021-2027 budget cycles

** 30% of financial support for civil society organisations and local authorities

- For actions related to socio-economic inclusion of third country nationals
  - 2014-2020 and 2021-2027 budget cycles until 2024
- All third-country nationals eligible for funding (ERDF, ESF, Cohesion Fund, FEAD, ESF+)
  - Undocumented migrants: traditionally excluded when access to labour market is required, but they could benefit from actions tackling social exclusion and material deprivation (FEAD and ESF+)
III. Analysis

No new money, but (slightly) easier access to existing funds

Along with the publication of the proposals, the Commission announced that CARE and AMIF packages would release over 17 billion euros to finance the Member States’ support to those displaced from Ukraine. Nonetheless, understanding how much money will actually be available as a result of the initiatives is complicated – if not impossible – at this stage, for at least two reasons.

First, these measures do not release any additional money for cohesion and Home Affairs funds. Rather, they allow for immediate access to 1) unspent resources from the previous budget cycle of 2014-2020, 2) advance payments from the already allocated tranches of REACT-EU money (9.5 billion euros under the 2022 tranche and 7 billion in pre-financing), and 3) emergency assistance under the current AMIF and BMVI (400 million). Only for the latter there was a reallocation within the current Multiannual Financial Framework (MFF), but still without an overall increase in the EU budget.

The Commission’s rationale was to quickly use money that was already available but not yet allocated by the Member States, thus taking advantage of the closing phase of the budget cycle and of the fact that EU countries close to Ukraine (Czechia, Hungary, Poland, Slovakia and Romania) are major recipients of cohesion policy funds.

Second, part of the amount announced is the Commission’s estimate as to the remainder of the Member States’ allocations for the previous budget period, and not the actual amounts still available. In fact, the European Commission does not yet have figures for the amounts actually spent by the Member States for the portion of the MFF that they implement via national programmes. These figures will only be available once they have fulfilled their reporting obligations (by the end of 2023 for AMIF and by the end of 2024 for cohesion funds).

Therefore, it is difficult to say whether Member States have resources left over to be used in response to displacement from Ukraine and, if so, how much is available and under which funding programme. In some cases, for instance Malta, the duration of projects was extended but without any additional funding from the managing authorities. In other cases, such as Germany, it was immediately clear that there was no money left from cohesion policy or AMIF funding for the budget cycle 2014-2020, and the delay to regular programming for the new financial period increased the risk of funding gaps.

In general, due to the Covid-19 emergency as well as the war, preparations for the Home Affairs national programmes and cohesion funds Partnership Agreements for 2021-2027 (due in the first half of 2021) were severely delayed and some still had not been adopted by the end of September 2022, with a negative impact on long-term planning for some stakeholders.

The lack of information and transparency about available resources undermines accountability and makes it difficult for civil society organisations to advocate for more funding under the Ukraine response flexible measures where the amounts

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1 At least 7 billion euros for cohesion policy funds and 420 million euros for Home affairs funds.
available are not known. The newly created Solidarity Platform for coordination of the Ukraine response could help in providing an assessment of overall funding available and funding needs for the emergency, through regular communication updates on the implementation of CARE initiatives and AMIF expenditure, which should cover implementation at Member State and European level.

A Commission communication from June 2022 announced that only 1 billion euros of cohesion funds was indicatively re-programmed by 10 Member States as a result of CARE initiatives. In addition, a total of 10 billion euros from REACT-EU was released, of which 3.5 billion euros in pre-financing was distributed, and 248 million euros (of a total of 400 million) was disbursed to Member States in the form of Emergency Assistance.

**Side effects: diversion of funding for inclusion under the AMIF Thematic Facility**

Parts of AMIF and BMVI are directly or indirectly (mostly via awards to international organisations) managed by the European Commission, in both cases through a Thematic Facility.

The Thematic Facility is a particularly useful tool for providing direct access to funding for civil society organisations via Union or transnational actions, especially where they struggle to find other financial resources. In addition to these actions, the Thematic Facilities also implement activities related to resettlement and humanitarian admission, Emergency Assistance (EMAS), and additional support to Member States.

Due to the displacement from Ukraine, the work programme for 2021 and 2022, which had been approved only a few months before, has only been partially implemented. Some of the money in the work programme has been redirected into the EMAS funding stream for the benefit of the five Member States most affected by Ukraine displacement, and, as a result, other areas were de-prioritised.

The amount of Emergency Assistance in the AMIF and BMVI Thematic Facilities was increased to 400 million euros in total (276 million euros for AMIF and 124 for BMVI) in order to respond to first reception and registration needs, and border operations including security checks, medical and vulnerability screenings, and immediate reception activities. This increase was funded by a modification of the General Budget, which freed up unallocated resources from the Migration and Border Management Heading.

Emergency assistance was also financed through reallocations within the Thematic Facility work programme. In particular, four transnational
calls on inclusion supporting the implementation of the Action plan on Integration and Inclusion 2021-2027, due to be published in early 2022, were cancelled.

The cancellation of the transnational calls on inclusion risks undermining civil society organisations, which often count on such actions to carry out their activities and gain direct access to EU funding, especially in countries where they have limited access to EU resources or where national plans do not prioritise inclusion. In Follow the Money II report, ECRE and UNHCR observed that, on average, Member States spend the smallest share of AMIF under the inclusion priority action (26.5%), of which civil society actors are the main implementers (43%).

Implications of rule of law conditionality on EU funding for Ukraine response

Hungary and Poland, two of the Member States hosting the largest number of people displaced from Ukraine, are still at the centre of rule of law concerns.

After the triggering of the conditionality mechanism, in September 2022, the Commission formally proposed to the Council to block one third of the 2021-2027 structural funds planned for Hungary, due to the significant shortcomings on anti-corruption in the field of public procurement, transparency, fraud prevention, and other areas linked to respect for the rule of law. Similarly, the Hungarian Recovery and Resilience Plan has still not been approved by the Commission due to rule of law concerns and the country might still not be considered eligible to receive 70% of these resources before the end of the year.

For Poland, the Commission has yet to launch the conditionality mechanism, and the Council recently signed off on the Polish Recovery and Resilience Plan, albeit on condition that certain judicial milestones are met. The decision to greenlight the Polish plan could be interpreted as a political response to the country's commitment to people displaced from Ukraine and to the government's role in advocating for sanctions on Russia. However, four organisations representing judges from across the EU filed a lawsuit against the Council's approval of the plan, as, in their view, the decision does not ensure sufficient protection of the independence of the judiciary in line with the ruling of the Court of Justice of the EU.

In parallel, some resources for the Ukraine response are already flowing to Poland and Hungary, including under the REACT EU 2022 envelopes and the AMIF and BMVI Thematic Facilities, the latter with little guarantee that they will not be exclusively managed and spent by the central authorities.

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2 The calls were supposed to cover four thematic areas: inclusion at regional and local level, access to healthcare, digital skills, and community sponsorship schemes and complementary pathways.

3 The conditionality mechanism is applicable to the entirety of the EU budget since January 2021, by providing the possibility to freeze EU money to a certain Member State in case of systemic breaches of rule of law.

4 It is proposed to block 65% of three operational programmes implementing resources from European Regional Development Fund (ERDF), Cohesion Fund (CF), Just Transition Fund (JTF), and European Social Fund Plus (ESF+), which represents 7.5 billion euros. In addition, the measure also proposes to prevent the opening of new contracts under indirect or direct management with public interest entities.
Funding opportunities for civil society and local authorities

Since the beginning of the war, civil society organisations and local authorities have been the main responders to the hosting and reception needs arising, especially in Poland. Despite the challenges, the legislative amendments aim to promote their role by creating some additional funding opportunities.

As regards cohesion funds, CARE initiatives introduce the possibility to use resources from the ERDF, the ESF and the Cohesion Fund for activities related to Ukraine displacement. Although the eligibility criteria are unchanged, the three funds can be used interchangeably and with simplified reporting arrangements to cover any activity related to support for people fleeing from Ukraine.

One of the most interesting novelties for the civil society and local authority sector is introduced by FAST CARE. The measure creates the possibility of a new priority axis for activities promoting the socio-economic inclusion of all third-country nationals and stateless persons under the new budget 2021-2027 and until 2024. Such activities will be covered by a co-financing rate of up to 100%, and at least 30% of the funding concerned will have to be allocated to local authorities and civil society organisations “given their active role in actions to welcome and integrate refugees”.

Additionally, for the 2014-2020 programming period, a similar 30% requirement will apply to all activities benefitting from the cross-financing possibility to use ERDF and ESF programmes. It is the first time that such a high and clear earmarking of funding for civil society and local authorities has been laid down in cohesion policy legislation.

Concerning AMIF, the Commission declared in a LIBE hearing in June 2022 that the funding for Emergency Assistance will be delivered “based on results”, including whether Member States channel the funding through civil society organisations and local or regional authorities, for at least 30% of their share. However, unlike cohesion policy rules, this is not a legal obligation for Member States.

A clear and legally binding requirement also for Home Affairs funds would improve harmonisation of current practices: the average amount of AMIF funding reaching civil society (not counting local authorities) is about 30%, but with significant differences, as the figures range from 8% in Estonia to 91% in Spain. That the requirement is not laid down in legislation means that for the Ukraine response, the funds may simply be added to Member States’ resource allocation and not further distributed to civil society.

Opportunities to support undocumented migrants through structural funds

In line with the ESF+ Regulation, the scope of CARE initiatives covers “all third country nationals and stateless persons”. The rationale is to create opportunities for supporting the inclusion of all groups of third country nationals and not only people fleeing Ukraine.

Whether undocumented migrants are covered, it is worth noting that in the past in practice they have been hardly eligible as a target group for cohesion funding projects. They have been able sometimes to benefit from programmes tackling social exclusion and material deprivation

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5 These figures do not include local authorities.
under FEA D, where access to the labour market or residence permits were not eligibility criteria. Similarly, under the new ESF+, there is a window of opportunity for undocumented people to benefit from actions related to access to some services and material aid (specific objectives (k), (l), (m) of the ESF+ Regulation). Therefore, also in the framework of Ukraine response, they could benefit from the outlined financial efforts, provided that Member States do not include additional barriers while implementing projects.

Has the EU’s response been effective so far?

In their preliminary assessment, ECRE and PICUM consider that, while the response has mainly focussed on the short-term, there are lessons that can be taken up for the future of asylum and migration policy.

The initiatives tried to turn one of the main, long-standing problems with EU funds – the fact that, despite availability, some Member States struggle to actually use the EU resources allocated to them – into an opportunity to rapidly access already existing money in order to support an immediate response.

The measures have also created important precedents on earmarking resources for civil society, and on adding a focus on long-term socio-economic inclusion of third country nationals through structural cohesion funds. In parallel, the approach gave impetus to a coordinated response at EU level via the creation of the Solidarity Platform bringing together all interventions related to Ukraine and including a specific component on EU funding.

On the other hand, the measures were not backed by an injection of additional money in support of internal reception, housing and other social inclusion needs, and the eligibility criteria of the programmes remained unchanged, undermining the possibility for new actors to come into play. The new rules also created additional work for Member States’ administrations at a time where national managing authorities of the funds were already under substantial pressure with the drafting of the new programmes for the next MFF. The lack of capacity to re-programme ongoing national plans may have reduced the effects of the CARE initiatives and AMIF amendments. This explains why only 1 billion euros had been re-programmed by Member States as a result of CARE initiatives as of June 2022.

That said, the lack of information on the funding available (i.e. remaining funds from MFF 2014-2020) at the start of the emergency – and during the ongoing implementation – hampers a thorough assessment of the response and limits the accountability of the whole process. If the situation does not change, a comprehensive evaluation will only be possible once the Member States have complied with their reporting obligations and provided information as to whether they have actually re-programmed their national plans following the initiatives outlined here. This means at the end of 2023 for AMIF programmes and at the end of 2024 for cohesion funds.

Recommendations

To the European Commission:

• Encourage and support Member States to invest in more efficient and humane asylum and migration systems through adequate resourcing, and refrain from creating a two-tier system that would exclude certain categories or nationalities of people;

• Ensure that allocation of EU funding for the Ukraine response is conditional on fulfilment of the criterion of distributing 30% of funding to civil society organisations and local authorities for cohesion and AMIF funds;

• Building on the experience gained with the Ukraine response, extend the requirement of earmarking 30% of available EU resources to civil society organisations to direct, indirect and shared management modalities, and to all relevant funding instruments in future revisions of the MFF;

• Ensure that a substantial amount of the Thematic Facility 2023-2025 is dedicated to inclusion activities for third country nationals, and that the relevant calls for proposals are published as soon as possible;

• Safeguard accountability and transparency of resourcing of Ukraine support by systematically gathering country-specific data and by publishing regular updates on the implementation at Member State and EU level, including by sharing information on the discussions taking place in the framework of the Solidarity Platform;

• Where Member States do not qualify for EU funding due to breaches of rule of law, ensure that civil society organisations, and local and regional authorities are not deprived of EU resources, through the use of financial modalities for direct access to funding by these actors;

• Improve long-term planning by securing sufficient resources for future emergencies in order to reduce to a minimum the risk of diversion of resources from other priorities.
To EU Member States:

- Dedicate additional resources to socio-economic inclusion of all third country nationals and avoid creating barriers related to status or nationality in calls for proposals;

- Involve civil society, local authorities, and migrant- and refugee-led organisations in the re-programming, implementation and monitoring and evaluation of actions responding to Ukraine displacement, including through regular consultations of the monitoring committees;

- Ensure diversification in EU funding beneficiaries by implementing the requirement of granting a minimum of 30% of resources to civil society organisations and local authorities for cohesion and AMIF funds;

- To take advantage of the additional flexibility of funding and to avoid consolidating double standards in asylum systems, focus actions at national level on reinforcing asylum systems and access to services for all third country nationals, irrespective of their nationality or status.