European Parliament
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Committee on Petitions

24.7.2020

NOTICE TO MEMBERS

Subject: Petition No 0461/2020 by A.P. (Portuguese) on the lack of action of the European Union in the COVID-19 crisis

1. Summary of petition

The petitioner states that Europe is experiencing the worst health, economic and social crisis since World War II. Society is being devastated, unemployment is tragically increasing, misery is growing and populism is lurking. This crisis affects seriously and without exception all European countries. The danger is common and he accuses the European Union of inaction. He calls for the commitment of all EU countries in the recovery; otherwise, disaggregation will be inevitable. He calls for a second Marshall Plan, as in 1948-1951 when Europe was rescued from the rubble by great political leaders who knew how to guide the efforts of their peoples and design measures of enormous magnitude. According to the petitioner, the measures agreed so far against the crisis are weak, and will contribute to the spread of misery and the intensification of regional asymmetries. He calls for a united and prepared Europe: 1. To share suffering and successes 2. To look directly at the markets 3. To invest, rescue jobs, people, families, national health services and companies. 4. To finance themselves jointly, with state debt issues and the respective amortisations, in the long term, calls for the public finances of each country to be adapted without avoiding sacrifices for present and future generations.

2. Admissibility

Declared admissible on 27 May 2020. Information requested from Commission under Rule 227(6).

3. **Commission reply**, received on 24 July 2020

The COVID-19 outbreak has been a sudden and exceptional event entailing a massive and disruptive impact on the Member States' economic systems. This prompted the Union and its Member States to act decisively, in a spirit of solidarity to contain the spread of the virus, counter the economic fallout and mitigate the negative social impacts.

To cushion the blow to people's livelihoods and the economy, the Commission has adopted a comprehensive economic response to the outbreak, applied the full flexibility of the EU fiscal rules, revised its State aid rules and set up a EUR 37 billion Coronavirus Response Investment Initiative package to provide liquidity to small businesses and the healthcare sector. In addition, on 2 April 2020, the Commission proposed far-ranging measures to mobilise every euro of the EU budget to protect lives and livelihoods and launched a new initiative called SURE - temporary Support to mitigate Unemployment Risks in an Emergency. SURE will provide EUR 100 billion of financial assistance, in the form of loans, to Member States for the financing, primarily, of short-time work schemes or similar measures aimed at protecting employees and the self-employed and thus reducing the incidence of unemployment and loss of income, as well as for the financing, as an ancillary, of some health-related measures, in particular in the workplace.

SURE was part of a first-response package endorsed on 23 April 2020 which also included the European Investment Bank's pan-European guarantee fund to support small and medium-sized enterprises (SMEs) and the European Stability Mechanism's Pandemic Crisis Support to provide a safety net for sovereigns. These interventions can immediately provide more than half a trillion euro to support workers, small businesses and Member States' economies. Along with measures taken by the European Central Bank, the EU response so far provides Member States with unprecedented firepower to help those that need it the most.

These measures were taken to address the short-term consequences of the pandemic outbreak but this will not be enough to kick-start European economies. At this time of extraordinary hardship and uncertainty, the Union needs more than ever to show that it is ready and willing to act decisively and chart a path to a better tomorrow. The Commission is of the view that agreement on an ambitious recovery plan with the EU budget at its heart will give the Union the best possible chance of success.

Against this backdrop, on 27 May 2020, the Commission proposed a bold and comprehensive plan for European recovery based on solidarity and fairness, and deeply rooted in the Union's shared principles and values. The Commission is proposing to harness the full potential of the EU budget to mobilise investment and frontload financial support in the crucial first years of recovery. These proposals are based on an emergency European Recovery Instrument - Next Generation EU - amounting to EUR 750 billion and on a reinforced multi-annual financial framework for 2021-2027 of EUR 1.1 trillion.

Next Generation EU will temporarily boost the EU budget with new financing raised on the financial markets. The funds raised will be channelled through EU programmes to underpin the immediate measures needed to protect livelihoods, get the economy back on its feet and foster sustainable and resilient growth. This will be financed by loans taken by the Commission, and spent on investment via grants and guarantee instruments (EUR 500 billion) as well as loans to Member States (EUR 250 billion). Next Generation EU is built on three pillars: supporting Member States recovery; boosting private investment; and reinforcing key EU programmes to draw the lessons of the crisis.

Firstly, the bulk of the funding from Next Generation EU will be used to support investment and reforms in the Member States, concentrated where the crisis impact and resilience needs are greatest. The proposed Recovery and Resilience Facility will offer large-scale financial support for investments and reforms, including in the field of the green and digital transitions. The financial envelope of the Recovery and Resilience Facility will be EUR 560 billion of which EUR 310 billion for grants and EUR 250 billion for loans. Cohesion policy will also play an essential role in supporting a balanced and sustainable recovery avoiding asymmetries between and within Member States through a new REACT-EU initiative to tackle the most pressing economic and social needs, and adjustments to the future cohesion programmes. The European Agricultural Fund for Rural Development will help farmers and rural areas to deliver the green transition and support investments and reforms essential to Europe's ambitious environmental targets. Finally, a significantly strengthened Just Transition Mechanism will help Member States accelerate the transition to a green economy and in doing so boost their economies.

Secondly, urgent action is needed to kick-start the economy and create the conditions for a recovery led by private investment in key sectors and technologies. The Commission is therefore proposing to strengthen InvestEU. Next Generation EU will provide a financial contribution in the form of provisioning of EUR 15.3 billion underpinning the EU guarantee for the four policy windows already agreed by the co-legislators, to mobilise private investment in strategic projects across the Union. Further, the Commission proposes to create an additional window, the Strategic Investment Facility, to invest in key value chains crucial for Europe's future resilience and strategic autonomy. The provisioning corresponding to this window amounts to EUR 15 billion. The ability of the European economies to return to growth depends on the resilience and adaptability of the private sector. To make sure that viable companies hit by the crisis can continue to operate, have enough capital to invest and to create employment and growth, the Commission is also proposing a new Solvency Support Instrument.

Thirdly, the crisis has both underlined the value of European cooperation and demonstrated that the Union must urgently build up its capacity to respond to crises and build resilience to future shocks. The Commission is proposing a new EU4Health programme to strengthen health security and prepare for future health crises. RescEU, the Union's Civil Protection Mechanism, will be expanded and reinforced to equip the Union to prepare for and respond to future crises. Horizon Europe will be reinforced to fund vital research in health, resilience and the green and digital transitions. Other EU programmes, including its external instruments, will be strengthened to align the future multi-annual financial framework fully with recovery needs and special instruments will be reinforced to make the EU budget more flexible and responsive.

In addition to these three pillars, the Commission is also proposing to strengthen a number of other programmes in the EU budget. These include the Common Agricultural Policy, the European Maritime and Fisheries Fund, the Single Market Programme and programmes supporting cooperation on tax and customs, the Connecting Europe Facility, Erasmus+, the Creative Europe Programme, the Digital Europe Programme, the European Defence Fund, the Internal Security Fund, the Asylum and Migration Fund, the Integrated Border Management Fund and pre-accession assistance.

<u>Conclusion</u>
Together with the three important safety nets for workers, businesses and sovereigns agreed on 23 April 2020, the measures proposed by the Commission on 27 May 2020 would bring the European recovery effort to a total of EUR 2.4 trillion. In addition, the total investment that could be generated by this package of measures amounts to EUR 3.1 trillion.