Opinion of the European Economic and Social Committee on 'Proposal for a Regulation of the European Parliament and of the Council establishing a Recovery and Resilience Facility'

(COM(2020) 408 final — 2020/0104 (COD))

'Proposal for a Regulation of the European Parliament and of the Council establishing a Technical Support Instrument'

(COM(2020) 409 final — 2020/0103 (COD))

(2020/C 364/18)

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Section responsible	Economic and Monetary Union and Economic and Social Cohesion
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Outcome of vote	
(for/against/abstentions)	208/4/4

1. **Conclusions and recommendations**

1.1. The EESC welcomes the proposed Recovery and Resilience Facility (the 'Facility') [1].

1.2. Beyond its economic dimension, the European Commission's proposal is also essentially promoting the deepening and unification of the European family, as it strengthens solidarity and cooperation between the Member States.

1.3. The European Commission's proposal proves, among other things, that the European Union, provided that there is the appropriate political will, can deal effectively with major crises, provide serious and credible solutions, and make the necessary and realistic compromises, contributing ultimately to the substantial promotion of the European ideal.

1.4. The EESC believes that the Facility should support the transition towards climate neutrality and digital economy using funds from Next Generation EU [2] to help alleviate the socioeconomic impact of the transition in the regions most heavily affected.

1.5. In light of the COVID-19 crisis, the need for a sustainable, green and digital recovery has become even more pressing, as has the need to provide support to the most vulnerable regions.

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(1) Proposal for a Regulation of the European Parliament and of the Council establishing a Recovery and Resilience Facility, COM(2020) 408 final, 28.5.2020.

(2) Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions — The EU budget powering the recovery plan for Europe, COM(2020) 442 final.

1.6. The EESC has already made it clear that it is 'in favour of a strong linkage between the Reform Support Programme ([3]) and the European Semester' ([4]). Therefore, the plans submitted by the Member States should address the main challenges identified in the European Semester and should be harmonised with the principles of European Green Deal and the Digital Agenda.

1.7. Quick and effective coordination of action between the European Commission, European Parliament and European Council is needed so as to avoid delays that would jeopardise the achievement of the Facility's goals.

1.8. An immediate and full response from the Member States is required given the short time within which the various project plans should be prepared and completed.

1.9. The EESC considers it important that Member States cooperate closely with the European Commission to approve, monitor and ensure the successful completion of the project plans submitted under the Facility.

1.10. The plans should provide direct financial support to small and medium-sized enterprises.

1.11. The EESC considers it very important that every measure announced, especially those providing financial support, should be accompanied by clear, business-friendly information on what type of support is provided, how an SME can effectively access the different EU financial instruments that exist, who to contact at EU level if they have questions, who are the national bodies involved in channelling the funds, who are the national players SMEs can turn to, what is the role of national banks and what are their obligations.

1.12. The submission, approval, monitoring and completion of projects could be sped up by actively involving private sector consulting companies with global experience in the relevant areas.

1.13. The EESC emphasises once more the need to share best practices within the EU, and to speed up bureaucratic processes regarding the allocation and disbursement of available funds, with the European Commission providing the necessary technical support ([5]).

1.14. The role and views of the social partners and civil society organisations should be integrated in the plans submitted by the Member States. In particular, the EESC has already called for a more active role for organised civil society '… in obtaining agreement between the European Commission and the Member States on the content of reform programmes' ([6]).

1.15. The Technical Support Instrument can act as an effective complement to the packages of measures that are proposed by the Commission to address the economic fallout of the COVID-19 pandemic.

2. **Introduction and general comments**

2.1. The objective of the proposed Facility is to promote the Union's economic, social and territorial cohesion by improving the resilience and adjustment capacity of the Member States, mitigating the social and economic impact of the crisis, and supporting the green and digital transitions aimed at achieving a climate-neutral Europe by 2050, thereby contributing to restoring the growth potential of the economies of the Member States in the aftermath of the COVID-19 crisis, fostering employment creation and promoting sustainable growth.

2.2. The Facility will be built around the provision of non-repayable financial support and loans to help countries — especially those with a lower per capita income and high unemployment — to deal adequately with the severe economic effects of the pandemic.

2.3. Loans will play a complementary role to non-repayable support and will benefit from the long maturities and favourable interest rates that the Union enjoys.

([3]) Proposal for a Regulation of the European Parliament and of the Council on the establishment of a European Stabilisation Function, COM(2018) 387 final.
([4]) OJ C 62, 15.2.2019, p. 121.
([5]) OJ C 237, 6.7.2018, p. 53.
([6]) OJ C 62, 15.2.2019, p. 121.

2.4. The COVID-19 pandemic is the defining global health crisis of our time, costing the lives of more than 420 000 people as of 12 June 2020 ([7]). COVID-19 is much more than a health crisis: it has had a tremendous socioeconomic impact around the world, the scale of which is still hard to assess. According to the latest report on the Global Economy by the World Bank Global Economic Prospects (June 2020) the coronavirus shock will cause the deepest global recession since the World War II.

2.5. The global economy is expected to contract by 5,2 % in 2020, which is approximately three times the scale of the 2008-09 global financial crisis. Among the advanced economies real GDP growth rates for 2020 are expected to be - 6,1 % in the US and - 9,1 % in the euro area, respectively. As explicitly stated in the World Bank's June 2020 report ([8]): 'With more than 90 % of EMDEs [emerging markets and developing economies] expected to experience contractions in per capita incomes this year, many millions are likely to fall back into poverty'.

The economic consequences of the COVID-19 shock are ([9]):

1) an elevation of uncertainty, which increases precautionary savings;

2) a reduction of consumption;

3) a reduction of interest in productivity investments;

4) a rise in unemployment, part of which is likely to be permanent;

5) a decline in the volume of the global trade as well as significant disruptions in global supply chains;

6) a decline in commodity prices (especially the price of oil), making current account financing of traditional commodity exporters particularly difficult;

7) a sharp increase in the required risk premiums for holding risky assets.

2.6. As is now common knowledge, the measures that can help solve the health crisis can make the economic crisis worse and vice versa. Flattening the curve of the pandemic inevitably steepens the macroeconomic recession curve and puts all supply chains in danger, including those crucial for human survival (food and medicine). Should the impact of the pandemic continue to grow, financial crises may follow, resulting in a collapse in lending, a longer global recession, and a slower recovery. As stated in the World Bank's June 2020 Global Economic Prospects report, '[r]ising levels of debt have made the global financial system more vulnerable to financial market stress'.

2.7. Therefore, there is a need for urgent and large-scale financial intervention so as to curb the economic consequences of the recent crisis and make Member States' economies more resilient and better prepared for the future.

2.8. The economic priorities should be the following:

1) it is important to ensure that the workforce remains employed even if quarantined or forced to stay home;

2) governments should channel financial support to public and private institutions that support vulnerable citizen groups;

3) SMEs should be safeguarded against bankruptcy (the need for taxpayer money to support large non-financial corporations is much less obvious);

([7]) https://ourworldindata.org/grapher/total-deaths-covid-19
([8]) World Bank, Global Economic Prospects, June 2020.
([9]) Koundouri, P., Athens University of Economics and Business Working Paper, 2020.

4) policies will be needed to support the financial system as non-performing loans mount;

5) fiscal packages comparable to the crisis-related loss of GDP should be adopted.

2.9. The Commission now proposes to deploy a reinforced EU budget to help repair the immediate economic and social damage brought by the COVID-19 pandemic, kickstart the recovery and prepare for a better future for the next generation. To ensure the recovery is sustainable, even, inclusive and fair for all Member States, the European Commission is proposing to create a new recovery instrument, Next Generation EU, embedded within a powerful, modern and revamped long-term EU budget. The flagship of Next Generation EU is the Recovery and Resilience Facility ([10]).

3. **General Principles of the Recovery and Resilience Facility and the Technical Support Instrument**

3.1. The EESC very much welcomes and supports the proposed Recovery and Resilience Facility (the Facility) and the Technical Support Instrument (the Instrument), the objective of which is to offer large-scale financial support for public investments and reforms, notably in the green and digital transitions, that are expected not only to make Member States economies more resilient and better prepared for the future, but also to help them overcome the consequences of the pandemic faster and more effectively.

3.2. The EESC is deeply concerned about the economic consequences of the pandemic in the Member States, especially regarding an increase in unemployment which in some southern EU countries has even reached 33 % among young people as well as growth of poverty rates.

3.3. The EESC agrees that the pandemic seems to be constituting 'the worst economic shock since the Great Depression, with devastating consequences for millions of our citizens and businesses, and of course, with the potential to deepen the economic and social divergence — the risk of a Great Fragmentation' ([11]).

3.4. The EESC has already underlined that recent economic development 'has not been spread evenly throughout the EU and the euro area and that the progress of convergence remains unsatisfactory. Sustainability also remains an increasingly complicated challenge for the EU' ([12]).

3.5. The EESC believes that 'European integration is at a crossroads. One lesson from the recent long-lasting economic crisis and the deep social scars it has left in several Member States is that the absence of economic and social convergence among Member States and regions is a threat to the political sustainability of the European project and all the benefits it has brought to European citizens' ([13]).

3.6. The EESC feels that '[s]trengthening the competitiveness of the European economy, that is its capacity to increase its productivity and living standards in a sustainable manner while at the same time becoming climate neutral, not least by means of research, development and more and better skills for the labour force, should go hand in hand with these initiatives' ([14]).

3.7. The EESC believes that '[d]eveloping economic and labour market resilience with economic, social, environmental and institutional sustainability should be the principle guiding policies which will foster upwards convergence and fairness in the transition towards a climate-neutral economy — i.e. an economy in which there is a balance between emissions and absorption of greenhouse gases — while managing the challenges posed by digitalisation and demographic change' ([15]). Moreover, the EESC thus supports the call for the European Union to commit to achieving carbon neutrality by 2050, and accordingly adjust its greenhouse gas reduction target for 2030. The UN Environment Programme (UNEP) Emissions Gap Report 2019 indicates that global emissions need to be cut by 7,6 % per year, starting now, in order to limit global warming to 1,5 °C. This adds up to a global reduction target of at least 68 % by 2030.

([10]) Proposal for a Regulation of the European Parliament and of the Council establishing a Recovery and Resilience Facility, COM(2020) 408 final, 28.5.2020.
([11]) Remarks by Commissioner Gentiloni at the press conference on the Recovery and Resilience Facility, European Commission Press release, 28 May 2020.
([12]) OJ C 47, 11.2.2020, p. 106.
([13]) OJ C 353, 18.10.2019, p. 23.
([14]) Idem.
([15]) Idem.

3.8. Therefore, the EESC agrees that the main objective of the Facility should be:

1) to promote the Union's economic, social and territorial cohesion;

2) to mitigate the social and economic impact of the crisis; and

3) to support the green and digital transitions aimed at achieving a climate-neutral Europe by 2050, thereby contributing to restoring the growth potential of the economies of the Member States in the aftermath of the COVID-19 crisis, fostering employment creation and promoting sustainable growth.

3.9. The EESC would like to emphasise that these investments and reforms should focus on challenges and investment needs related to the green and digital transitions, thereby ensuring a sustainable recovery.

3.10. It is now widely acknowledged that green stimulus policies have advantages over traditional fiscal stimuli and that climate-positive policies also offer superior economic characteristics. Green construction projects, such as insulation retrofits or renewable energy infrastructure, can deliver higher multiplier effects due to reduced long-term energy costs and flow-on effects to the wider economy.

3.11. The EESC agrees that, in addition to directing funds into controlling the epidemic and into relevant biomedical research, and investing in border security, safe travel and safe trade, now is the time for financial institutions and governments to embrace the EU taxonomy for sustainable investments (2019), phase out fossil fuels by deploying existing renewable energy technologies, redirect subsidies from fossil fuels to green and smart climate mitigation and adaptation infrastructure projects, invest in circular and low-carbon economies, shift from industrial to regenerative agriculture and invest in food security, promote European supply chains, reduce transportation needs and exploit the limits of the digital revolution, while ensuring the security of ICT networks ([16]).

3.12. The EESC agrees with the International Energy Agency that clean energy transitions can help kick-start the European economy, with an ambitious agenda for job creation and climate change goals through the modernisation of energy systems. Given that governments directly or indirectly drive more than 70 % of global energy investment, in this time of crisis, their actions matter more than ever. Policy settings can actively steer energy-related investments onto a more sustainable path, while making energy efficiency, renewables and battery storage central to economic recovery. Stimulus programmes in energy industries should be prioritised to support existing workforces, create new jobs and drive reductions in emissions. The International Energy Agency ([17]) advises, 'Build on what you already have — and think big'. Policies with existing legal and institutional structures are the easiest to scale up.

3.13. The EESC strongly agrees that the Facility established by this Regulation should contribute to mainstreaming climate actions and environmental sustainability and to the achievement of an overall target of 25 % of the EU budget expenditures supporting climate objectives.

3.14. The EESC feels strongly that the Facility should be built mainly around the provision of non-repayable financial support to help countries — especially those with a lower per capita income and high unemployment — to deal adequately with the severe economic effects of the pandemic, whereas loans should play only a complementary role to non-repayable support and should benefit from the long maturities and favourable interest rates that the Union enjoys.

([16]) Koundouri, P., *Never Waste a Good Crisis: For a Sustainable Recovery from COVID-19*, April 2020.

([17]) International Energy Agency: https://www.iea.org/

3.15. The EESC supports the Commission's intention to harness the full power of the EU budget to mobilise investment and frontload financial support in the crucial first years of recovery through the combined adoption of an emergency European Recovery Instrument amounting to EUR 808 984,090 million (in current prices) and a reinforced multiannual financial framework (MFF) for 2021-2027.

3.16. The EESC calls 'for the continuation of effective structural reforms with well targeted investment strategies' ([18]).

3.17. The EESC agrees with the establishment of a standalone Technical Support Instrument available to all Member States, as a successor to the Structural Reform Support Programme (SRSP) ([19]).

4. **Preparation of national recovery and resilience plans, submission, assesment and deadlines**

4.1. The EESC believes that the funds of the Facility must be deployed as swiftly as possible to the Member States, which in turn should use them efficiently in order to maximise the benefits of the Facility.

4.2. Member States should prepare national recovery and resilience plans that set out the reform and investment agenda for the next four years.

4.3. The EESC believes that these plans should address the main challenges Member States are facing as identified in the European Semester, in areas such as competitiveness, productivity, education and skills, health, employment, and economic, social and territorial cohesion. They should also ensure that these investments and reforms focus appropriately on the challenges related to the green and digital transitions, to help create jobs and sustainable growth and make the Union more resilient.

4.4. The EESC believes that it is necessary to strengthen the current framework for the provision of support to small and medium-sized enterprises and provide them direct financial support through an innovative tool so as to safeguard them from bankruptcy.

4.5. Every measure announced, especially those providing financial support, should be accompanied by clear, business-friendly information on what type of support is provided, how an SME can effectively access the different EU financial instruments that exist, who to contact at EU level if they have questions, who are the national bodies involved in channelling the funds, who are the national players SMEs can turn to, what is the role of national banks and what are their obligations, etc.

4.6. The EESC believes that, during this process, the role and views of the social partners and civil society organisations should be taken seriously into account.

4.7. The EESC has already suggested 'introducing a rule whereby no financing should be given to a Member State unless they have fully adopted the application of the Partnership principle with a real involvement of the social partners and civil society when deciding on the multiannual reform commitment packages ([20]). The Partnership principle application is paramount for ensuring the delivery of evidence-based reforms, connected to the real-life situation in the economies of each Member State' ([21]).

4.8. The EESC agrees that the plans should be assessed by the Commission on the basis of transparent criteria, notably, *inter alia*: whether the plan is expected to effectively address challenges identified in the **European Semester Proceess**, whether it contributes to strengthening the growth potential and economic and social resilience of the Member State, and contributes to enhancing economic, social and territorial cohesion; whether the plan contains measures that are relevant for the green and the digital transitions; and whether the cost estimate provided by the Member State is reasonable and plausible and is commensurate with the expected impact on the economy.

4.9. The EESC believes that the allocation of funds should also take into consideration convergence criteria ([22]).

(18) OJ C 47, 11.2.2020, p. 106.
(19) Regulation (EU) 2017/825 of the European Parliament and of the Council of 17 May 2017 on the establishment of the Structural Reform Support Programme for the period 2017 to 2020 and amending Regulations (EU) No 1303/2013 and (EU) No 1305/2013 (OJ L 129, 19.5.2017, p. 1).
(20) Commission Delegated Regulation (EU) No 240/2014 of 7 January 2014 on the European code of conduct on partnership in the framework of the European Structural and Investment Funds (OJ L 74, 14.3.2014, p. 1).
(21) OJ C 237, 6.7.2018, p. 53.
(22) Idem.

4.10. The EESC finds it reasonable that:

1) The financial support and the relevant actions undertaken by the Member States under the Facility should be frontloaded by the end of 2024 and, as regards the non-repayable financial support, that at least 60 % of the total should be committed by the end of 2022;

2) Member States should submit recovery and resilience plans at the latest by 30 April, in the form of a separate annex to their National Reform Programmes;

3) Member States should be able to submit a draft plan, together with the draft budget for the forthcoming year, on 15 October of the preceding year;

4) the remaining years from 2024 to the end of the MFF (2027) should be used by the Commission and the Member States to foster the implementation of the relevant actions on the ground and to achieve the expected recovery in the relevant economic and social sectors and promote resilience and convergence.

4.11. The EESC emphasises the need for a sufficient period of time in order to effectively implement and achieve the objectives of 'the Facility' project. In addition, the EESC points out the danger, in case that opinions for a short period of time of implementation of the plan prevail, that the latter will ultimately fail in the objectives it has set.

4.12. The EESC stresses the need for quick and effective coordination of actions between the European Commission, European Parliament and European Council so as to avoid delays that would jeopardise the achievement of the Facility's goals. An immediate and full response is also required from the Member States given the short time within which the various project plans should be prepared and completed. Member States should cooperate closely with the European Commission to approve, monitor and ensure the successful completion of the project plans submitted under the Facility. The submission, approval, monitoring and completion of projects could be sped up by actively involving private sector consulting companies with global experience in the relevant areas.

4.13. The EESC emphasises once more the need to share best practices within the EU, and to speed up bureaucratic processes regarding the allocation and disbursement of available funds, with the European Commission providing the necessary technical support ([23]).

5. **Technical Support Instrument**

5.1. The EESC advocates steady structural reforms geared towards social and economic development, including institutional capacity-building to improve administrative quality. Such reforms should be country-specific and backed by democratic support, avoiding a one-size-fits-all approach for all Member States ([24]).

5.2. The EESC agrees that the Technical Support Instrument should aim to accompany the national authorities of the requesting Member States throughout the stages or in specific phases of the reform process.

5.3. The EESC emphasises the need for the Technical Support Instrument to support Member State authorities in their efforts to design reforms according to their own priorities and enhance their capacity to develop and implement reform policies and strategies, as well as benefitting from good practices and examples of peers.

5.4. The EESC agrees that the Technical Support Instrument can act as an effective complement to the packages of measures that are proposed by the Commission to address the economic fallout of the COVID-19 pandemic.

Brussels, 16 July 2020.

The President
of the European Economic and Social Committee
Luca JAHIER

([23]) Idem.
([24]) Idem.