



ECO/515

Regulation on Coronavirus Response Investment Initiative

POSITION PAPER

European Economic and Social Committee

Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 1303/2013, Regulation (EU) No 1301/2013 and Regulation (EU) No 508/2014 as regards specific measures to mobilise investments in the health care systems of the Member States and in other sectors of their economies in response to the COVID-19 outbreak

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Rapporteur-general: **Bernd SCHLÜTER**

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Section responsible	Economic and Monetary Union and Economic and Social Cohesion

1. **Conclusions and recommendations**

- 1.1 The evident cross-border dimension of COVID-19 (coronavirus) prevents any unilateral, national action from being truly effective. Coordination is therefore vital to save the single market and deploy effective measures. The European Union must lead the way with both clear guidelines and transparent information. During the current pandemic crisis, the EU and its Member States should give a clear sign of solidarity and provide efficient help to people who are suffering, to public health systems and vulnerable businesses and to workers who will lose their jobs or see a significant fall in their incomes.
- 1.2 The EESC believes that the principles of common values, protection of life and freedom, economic success, social rights, solidarity and subsidiarity are essential to the functioning of the EU. The principle of the social market economy and the Social Pillar target of an upward convergence of reliable and efficient social and health systems are closely linked to the well-being of the public, including health, living and working conditions, wealth, economic prosperity and peace. Therefore, the EESC warmly welcomes the fact that the European Commission has responded quickly by establishing adjusted and efficient means of providing financial support to face the COVID-19 pandemic.
- 1.3 The EESC stresses the need for a very rapid response. Many firms are laying off employees, leading to a sharp decline in economic activity and an increase in unemployment. It is important to minimise the risk of productive capital being destroyed and employees being laid off. The current circumstances entail substantial human and social costs. The pandemic has already caused many people to suffer due to the resulting health problems, with thousands of deaths.
- 1.4 The EU's healthcare systems and their workers are in the front line and they should have all the necessary funding to ensure that they are protected and that this crisis is tackled with equality, efficiency and justice. The EESC therefore welcomes the Coronavirus Response Investment Initiative, which aims to promote investment by mobilising available reserves in the European Structural and Investment (ESI) Funds and providing financial support to Member States. Nevertheless, it is clear that the Coronavirus Response Investment Initiative must be just part of the support provide, specifically the ESI Funds' contribution to a larger European investment plan to support its Member States.
- 1.5 The EU should tackle the worldwide human and economic crisis by swiftly taking major steps towards limiting damage and supporting the recovery. The EESC agrees with the intention to quickly mobilise the cash reserves (unspent funds for advance payments) as mentioned in the Commission's draft regulation to boost economic investment. Moreover, the Committee urges the Commission to check all additional funding options available under the EU budget to support key services and people, such as social and health systems, patients and their families, labour administrations, businesses, workers, and social and civil society organisations, with maximum flexibility and minimum administrative work and as quickly as possible.
- 1.6 The EESC strongly supports enhanced flexibility mechanisms within the multiannual financial framework (MFF) to create a more agile MFF that can provide financial resources to counter the

shocks. In this connection, the EESC calls on the heads of state and governments to finally act and prepare the ground for the Council to adopt an ambitious 2014-2020 MFF as soon as possible.

- 1.7 The EESC emphasises that, in this crisis, the solvency of businesses, including social and health service providers, is becoming a very important issue, especially as the shutdown of the economy continues and in light of the uncertain economic outlook. There is a serious risk that millions of jobs will be lost in the coming months and that underemployment and in-work poverty will also increase.
- 1.8 The EESC suggests that the European Regional Development Fund (ERDF) support the financing of working capital where necessary as a temporary measure to provide an effective response to the public health crisis. Financial instruments financed by EU funds should also provide support in the form of working capital if necessary as a temporary measure. The ERDF's investment priority to boost research, technological development and innovation will be modified to cover investment in products and services that are necessary for improving public health services' ability to respond to the crisis.
- 1.9 The EESC stresses the need to reduce red tape and keep administrative burdens to an absolute minimum. The funds must be allocated quickly and fairly. Many Member States have set up programmes linked to current or past tax payments for withheld taxes, social security contributions and VAT paid by businesses. Such tax payments, made in previous months, have been made available as loans without any interest for many months to come. Such mechanisms are linked to the size of the business and its potential needs and do not require a credit application. Funds can be made available within a day or at least within a few days.
- 1.10 The EESC welcomes the fact that the Commission is paying particular attention to public health systems and to small and medium-sized enterprises (SMEs), recognising their vulnerability as their business operations are being disrupted due to the lockdown measures introduced in several countries. Key SMEs can offer local and regional employment, basic provisions, social and cultural functions and a deconcentrated structure of wealth and chances. As well as supporting internationally competitive industries, the EESC has asked several times for more effective policy and legal frameworks to protect and promote small businesses, regional production, social service providers, green circular and social economies, and to improve conditions for fair markets and competition, to protect consumers and to combat imbalances and concentrations of power.
- 1.11 In addition to support for public health systems and SMEs, more attention should be paid to not-for-profit social enterprises and civil society organisations, which in many Member States are part of or even the backbone of the social and health systems and/or provide important social services, experts, networks and voluntary engagement for emergency and catastrophe prevention and management. These not-for-profit social enterprises and civil society organisations have no resources of their own to use during the crisis, while at the same time they often have to continue working with people. Therefore, major enterprises from this sector should also receive support. Unregulated professions should also receive attention, as well as the health and care sector. The Commission's draft regulation should be amended in this regard. These roles and organisations should receive more support not only for tackling the urgent crisis, but also for implementing the

European Pillar of Social Rights, the common social and health policy, the European Social Fund (ESF) and the social scoreboard during the European Semester process.

- 1.12 More financial support should also be provided for networking, coordination, cooperation and communication between the social, health and crisis management departments of relevant organisations, institutions and Member States at EU level. The Commission's draft regulation should also be amended in this regard. A serious and in-depth reflection should quickly be launched on the importance of EU research centres and their financing, particularly those related to European networks.
- 1.13 The EESC underlines the importance of ensuring the adequate liquidity and stability of the European banking system, as it plays an essential role in financing households and businesses and therefore will be key to easing the effects of the COVID-19 crisis on the European economy. Loans should be provided at a zero-interest rate.
- 1.14 The Committee also emphasises the importance of making full use of the flexibility of the European fiscal framework, not only to help mitigate the immediate effects of the COVID-19 crisis, but also to support the recovery of the European economy in the aftermath of the pandemic.
- 1.15 The EESC urges the Commission to mobilise key funds as quickly as possible, such as the European Globalisation Adjustment Fund (EGF), to support dismissed workers and the self-employed, who will be hit by the pandemic. More financial support should be urgently added to the EGF and provided to the most affected sectors. It will also be necessary to increase coherence and synergies with the ESF because more favourable co-financing rates have sometimes led Member States to use the ESF for EGF-related measures.
- 1.16 The EESC also stresses the need to involve the social partners at EU and national level, as well as relevant civil society organisations, to ensure the effective management of the COVID-19 crisis.
- 1.17 The EESC calls upon the Council and the European Parliament to swiftly approve the Regulation so that it can be adopted as soon as possible. The scale of the challenge requires a collective, commensurate and more coordinated response.

2. **General comments**

- 2.1 The COVID-19 crisis has affected the EU and many parts of the world in a sudden and dramatic manner, with a major potential impact on EU citizens, the common market, health and social systems and the economy. It is hampering the sustainability of these systems and leading to liquidity constraints as businesses struggle to pay their suppliers and employees.
- 2.2 The EESC fully agrees that this crisis has created an exceptional situation that needs to be urgently addressed with specific measures to support and protect Member States' economies, businesses and workers.

- 2.3 It is of the utmost importance that immediate support is provided for the healthcare and social systems to strengthen the relevant public services and organisations and allow them to operate under considerable stress. SMEs in particular, as well as not-for-profit social enterprises, have to be protected, as they have lower margins for cushioning the negative consequences for labour markets and other vulnerable parts of their economies.
- 2.4 The EESC urges the Commission to examine all the additional funds and also explore other potential funding options that are available for meeting the economic needs in order to tackle the crisis immediately.
- 2.5 The Committee is in favour of the Commission's proposal to waive this year's obligation to request the repayment of unspent pre-financing payments from the ERDF, the ESF, the Cohesion Fund (CF) and the European Maritime and Fisheries Fund (EMFF) until the programmes close. This will allow Member States to use the money not recovered in 2020 to accelerate investment related to tackling the COVID-19 outbreak under the above-mentioned funds. The proposal is meant to accelerate the programme's implementation, resulting in a front loading of payment appropriations.
- 2.6 In this urgent situation, more resources should be directed to where they are most needed. At the same time, these measures should not damage relevant ongoing projects. As well as providing emergency support, EU funds should always target reforms for more effective, efficient and fair social and health systems in the Member States. In the current circumstances, EU measures need to send a strong message of European solidarity for all individuals, SMEs and not-for-profit social enterprises and regions, which are unexpectedly and severely suffering. The European Commission must create all the necessary conditions to accelerate the implementation of the EU's cohesion policy by making these sums available now and by tailoring them to the needs of the crisis.
- 2.7 Therefore, the Committee asks for a more flexible and simplified procedure for adopting and implementing operational programmes to tackle the crisis. Changes to the existing programmes should be made without a Commission decision. At the same time, the fight against corruption, illegal practices and the misuse of EU funds is an important prerequisite for effective support. The EESC welcomes greater flexibility in the state-aid rules and procurement.
- 2.8 To avoid a further investment gap and the resulting negative consequences following the late take-up of the spending programmes of the upcoming 2021-2027 MFF, the EESC calls for a swift adoption of the new financial framework. As stated in the declaration adopted by the EESC Bureau on 17 March 2020, the upcoming MFF has to be consistent with the public's expectations, the political guidelines of the European Commission and the commitments of the European Council and Parliament, and must be tailored to this unprecedented systemic crisis.
- 2.9 Particular attention should be paid to SMEs and not-for-profit social enterprises. Measures to help these SMEs and not-for-profit social enterprises, many of which would otherwise go bankrupt, are crucial to preserve employment, value creation and sustainability. The EESC welcomes the measures that have already been adopted in some Member States in this respect.

- 2.10 Specific attention should also be paid to atypical and non-standard workers, the self-employed and precarious workers, who are most likely to fall outside of the usual safety nets.
- 2.11 In this connection, financial instruments (guarantees, etc.) financed by EU funds should also provide support to SMEs if necessary in the form of working capital, as a temporary measure to provide an effective response to the public health crisis.
- 2.12 The Committee strongly believes that the full flexibility of the European Fiscal Framework must be utilised. The Stability and Growth Pact stipulates that the negative budgetary impact of an unusual event, such as a pandemic, can be taken into consideration. This concerns both the effects of slower economic growth and additional spending to tackle the outbreak.
- 2.13 The EESC welcomes the Commission's proposal to activate the general escape clause to provide more general fiscal policy support. This clause would, in cooperation with the Council, suspend fiscal adjustment in case of a severe economic downturn in the euro area or the EU as a whole.
- 2.14 Since the EU faces an unprecedented crisis, an unprecedented response is required. The proposal must be adopted as soon as possible so that the money can be used in the most effective way to address the impact that COVID-19 is having and will continue to have.

Luca JAHIER

President of the European Economic and Social Committee
