

Non-paper EU support for efficient and sustainable COVID-19 recovery

The COVID-19 crisis is affecting all EU Member States hard. Socially and financially. It is in the interest of all to restore growth to Member States' economies as soon as possible. This calls for European solidarity and a common recovery strategy.

We therefore suggest setting up a temporary, one-off Emergency Fund to support the economic recovery and the resilience of our health sectors to possible future waves. This would come on top of a modernized MFF and as a supplement to the package of 540 billion euros already agreed on by the European Council and other far-reaching and unprecedented initiatives at EU as well as national level. What we cannot agree to, however, are any instruments or measures leading to debt mutualisation nor significant increases in the EU-budget.

The Commission's Spring Forecast shows that all Member States will suffer from an unprecedented economic contraction in 2020, with only a partial recovery in 2021. This means that Member States will have to devote a larger part of their national resources to the EU budget at a time when national public finances are already under severe pressure. Additional funds for the EU, regardless of how they are financed, will strain national budgets even further.

Funds should thus be directed towards activities that contribute most to the recovery from the COVID-19 crisis and to future resilience. These should be efforts to support national reforms and that strengthen the Single Market. Moreover, an EU response should have clear added value to national efforts.

Under these circumstances, efforts to support efficient and sustainable recovery should be based on:

- A **modernized EU budget** as a point of departure.
- Financial scope for COVID-19-related expenditure can be provided through savings in the MFF by **reprioritizing** in areas that are less likely to contribute to the recovery.
- **Frontloading** / temporarily topping up COVID-19-related expenditure to help kick start the economy and speed up recovery.
- Aiming for a strong, **financially sound and sustainable budget**, with an **overall level** and composition of expenditure proportionate to our strategic priorities.
- **Our position on the MFF is unchanged.** We continue to request that national contributions are limited, and we recall that the rationale behind **corrections** remains valid.

On top of a modernized MFF, we propose to create an **Emergency Recovery Fund** based on a 'loans for loans' approach, which is in line with fundamental principles for the EU budget and designed along the following lines:

- A thorough **needs assessment** that targets sectors and segments that are most hit.

- Recovery support should ensure that all Member States are better prepared for the next crisis. A **strong commitment to reforms and the fiscal framework** is essential to promote potential growth.
- Directed towards activities that contribute most to the recovery such as **research and innovation, enhanced resilience in the health sector** and ensuring a green transition that underpins the EU's ambitious **climate, growth and digital agendas**.
- Temporary, one-off nature with an explicit **sunset clause after 2 years**.
- **Not leading to any mutualisation of debt**.
- Lending on favourable terms to the benefit of the Member State in need, while limiting the risk to all Member States and providing sound incentives.
- Adherence to **Rule of Law and Fundamental Rights** and **protect spending from fraud** with a strong involvement of the European Court of Auditors, OLAF and EPPO.
- As part of the recovery effort, we need to **restore and deepen the Single Market** by having a common innovation and industrial policy, setting a joint action agenda before 2021 and by completing the Capital Markets Union.

Our objective is to provide temporary, dedicated funding through the MFF and to offer favourable loans to those who have been most severely affected by the crisis.