

## Speech by the Commissioner Elisa Ferreira - *Recovery and Resilience in the EU* -

### COSAC Chairpersons' Meeting

11 January 2020

Portugal

Senhor Presidente da Assembleia da República,

Honourable members of the National Parliaments and the European Parliament,

Ladies and gentlemen,

Permitam-me umas palavras em português para agradecer o convite para participar neste evento, um dos primeiros que se realizam sob a égide da Presidência Portuguesa do Conselho da UE.

É para mim também um enorme prazer poder dirigir-me a uma assembleia de representantes nacionais, eu que também tive muita honra em ser deputada nacional e europeia.

Atribuo muita importância à atividade parlamentar e aos Parlamentos enquanto 'casas da democracia', em particular nos tempos que correm em que os fundamentos democráticos dos nossos sistemas estão a ser postos em causa.

Acontecimentos recentes devem lembrar-nos que a democracia não é um meio, mas um fim, que deve ser cuidada e preservada, pois nada deve ser dado como adquirido.

Isto é mais importante ainda para a União Europeia, que traz a democracia e o Estado de direito no seu ADN.

Ladies and Gentlemen,

At the start of a new Presidency my first words are to congratulate the previous one - the German presidency - for many achievements, not least getting the various financial packages approved: from Next Generation EU to the cohesion policy regulations.

This was no easy task: we owe you our thanks.

But the work has only just begun.

The German presidency was the decision presidency.

The Portuguese presidency must now be the implementation presidency.

This is well captured in the well-chosen Portuguese presidency motto: Time to Deliver.

I also welcome the priorities set by the Portuguese Presidency, which we have just heard from the Foreign Minister Santos Silva they dovetail with the Commission's own priorities for this next semester.

Ladies and gentlemen,

Time to deliver is a fitting motto because Europe is still in crisis.

This crisis is unprecedented, unmatched by anything we have experienced for decades.

This crisis has had a brutal impact on health, on society, and on our ability as Europeans to travel and work across borders.

The crisis has also had a brutal impact on the economy, with GDP for the European Union as a whole expected to fall by 7.4%.

There is a sectoral impact, with certain sectors hit hard, from tourism to trade.

There is a cohesion impact with some regions hit harder than others.

There is a social impact with young people, low-paid, women being affected more severely.

And the lessons of economic history are clear: the longer it takes to address these asymmetries, the higher consequences there will be for our economies, social fabric and even democracies.

In the darkness of this crisis, I see a ray of hope.

Contrary to what happened in the previous crisis, this time Europe has reacted rapidly and decisively.

From the joint procurement of vaccines, to the exceptional measures taken on state aid and cohesion funds, from the activation of the escape clause of the stability and growth pact to the adoption of new instruments and significant financing.

I am particularly proud that cohesion policy became one of Europe's first responders in the crisis, through the Coronavirus Response Investment Initiative sometimes known by its acronym, "CRII".

We enabled unprecedented flexibility: funding which was not already committed, could be reprogrammed to combat the pandemic and its economic effects.

In total, 19.5 billion euros have already been reprogrammed to combat the pandemic.

This Coronavirus Response Investment Initiative was already delivering in April of last year.

Health investment has been a particular priority.

In Spain and Italy, CRII has enabled the acquisition of 2.3 billion items of personal protective equipment, as well as 4300 ventilators, and over 500 laboratories equipped to test for Covid.

But also in many other member states.

Economic and social investment has also been a priority.

Nearly 500,000 enterprises have been supported with grants for working capital.

Over 2.2 million people have been supported through short term working arrangements or specific support for health workers.

In addition to cohesion policy, state aid was another first responder, enabling the support necessary to get small businesses through the crisis.

The SURE initiative enabled the Commission to raise up to 100 billion euros from the financial markets to mitigate unemployment risks.

The first tranches have already been delivered.

And this, by the way, was an excellent test of the European Union's credibility with the financial markets.

The market is subscribing to SURE investments at very favourable rates, which are being passed to the Member States.

Meanwhile the Commission has been working tirelessly to secure COVID-19 vaccines for everyone in the EU.

We have negotiated the broadest vaccine portfolio in the world for all our Member States.

This was the right approach because it allowed us to increase our leverage, lower the prices and ensure that all Member States are treated with fairness and equity.

Up to this moment, we secured 2.3 billion doses of potential COVID-19 vaccines, more than enough for protecting all Europeans.

Once enough people are vaccinated, we will be able to get our normal lives back, gradually.

But this will not happen overnight.

In the meantime, we should be patient, vigilant and self-disciplined to protect ourselves and the others.

But after the crisis, comes the recovery.

And this brings me to Next Generation EU.

This is unprecedented in no less than 3 ways.

Unprecedented, in terms of the 27 Member States jointly supporting a recovery effort.

Unprecedented in terms of its financial firepower, this “big bazooka” brings the total European budget to 1.8 trillion euros.

Unprecedented, in terms of financing mechanism.

The money will be borrowed on the financial markets, using the EU’s high credit rating to obtain favourable terms.

The Commission has gone even further, proposing that borrowing should not be reimbursed by Member States, but through new own resources for the European budget, namely a border mechanism to prevent carbon leakage, a digital tax or a tax on plastics.

Next Generation EU will have a huge impact on the world sovereign debt market and on the international role of the Euro.

Between SURE and Next Generation EU, the EU will be the world’s largest issuer of social bonds and green bonds.

These unprecedented financial mechanisms offer a unique opportunity.

An opportunity not just for a solid recovery, but an opportunity to build back better than before: correcting structural problems in the economy and preparing for the twin green and digital revolution.

These opportunities start first with REACT-EU.

This is an additional 47.5 billion euros of investment, added from Next Generation EU to the 2014-20 cohesion programmes.

The aim is to bridge the gap between first response and recovery.

REACT-EU focuses on strengthening the resilience of healthcare systems, on preserving and creating employment, in particular for young people, on supporting the poorest of our society, and on working capital and investment support for SMEs.

At the same time, the goal is to lay down future-proof foundations for the digital and green transitions and for sustainable socio-economic development.

REACT-EU was the first legislative file approved under Next Generation EU.

I would like to underline that this is additional, fresh money, over and above existing money for past and future programmes.

It is already in force since 28 December.

It just needs now the ratification of the own resources decision so that we can raise the necessary funds for its activation.

Second, the opportunities for recovery continue with the Recovery and Resilience Fund.

This is the centrepiece of next Generation EU.

It provides 312.5 billion euros in grants and 360 billion euros in loans to support growth-enhancing reforms and public investments.

Member States must prepare a coherent package of reforms and investments in a Recovery and Resilience Plan.

Past experience demonstrates that investments without reforms are less effective – and their effects last less.

For the first time, global reforms will be financed: public administration, education systems, justice systems, or a wave of renovation of public and private buildings.

I would particularly underline the importance of the quality of public administration.

A recent study by the Bruegel Institute suggests that between 35% and 45% of GDP losses due to the crisis related to the quality of public administration.

A new and reinforced Technical Support Instrument will be available to support Member States in identifying and implementing a wide range of reforms and institutional improvements, including in public administration.

I would also emphasise that territorial balance is crucial.

We cannot put all our eggs in just one basket.

This would be economically unsound and socially unfair.

No country can prosper if half of its territory is left behind.

The future must be for all regions, not just a favoured few.

And we must avoid building up big agglomerations at the expense of more liveable intermediate cities.

For this reason, the plans must be drawn up by inclusive processes, with the participation of various levels of public administration, business and civil society throughout the territory.

Third, the opportunities for recovery continue with the traditional budget, and particularly cohesion policy.

Cohesion policy retains a significant firepower.

Cohesion policy will invest some 375 billion euros [total including JTF and REACT-EU] in the current period, in 2018 prices, compared to 312.5 billion euros of grants under the recovery and resilience facility.

A set of key regulations, from the Common Provisions to the European Regional Development Fund were agreed by Parliament and Council in December.

The preparation of programmes is now at full speed.

In the crisis, Cohesion policy became the firefighter of Europe.

In the recovery, we must now become the engineers, architects and builders of a better Europe.

I urge you not to underestimate the opportunities offered by “traditional” cohesion policy.

Opportunities to develop a smarter regional innovation system.

Opportunities to upgrade green infrastructure.

Opportunities to restructure your economy in a way which is both more future proof and more locally liveable.

But also use to the full the other European programmes, notably Horizon Europe, which can be a driver for a more innovation driven economy and put Europe at the forefront of the great societal challenges, from a better response to pandemics, to a more sustainable and digital growth.

In conclusion,

Never before has Europe had this level of firepower.

With great power, comes great responsibility.

We must use this power wisely.

We must use it effectively.

And above all we must use it quickly.

The future of Europe depends on the success of our recovery and resilience efforts.

It is no accident that the Commission called the recovery plan: “Next Generation”.

This is the challenge of the Portuguese presidency.

Indeed, this is the challenge of us all.

We cannot do this without you.

First, I underline the importance of a quick ratification of our own resources decision.

We must move forwards on this.

Many of you, representatives of National Parliaments, will have a key role in this process.

You must help us in ratifying the decision swiftly.

Second, you have a crucial role ensuring the partnership principle and stakeholder involvement in implementation.

Third, you have a key role in democratic accountability, ownership and oversight of this ambitious plan to take Europe out of crisis and into the future.

Fourth and finally, this year and the next will be marked by several elections, national and regional.

Your voice will be critical in making sure that European actions are properly explained and correctly understood.

I am not suggesting proselytism about Europe.

No one, and no institution is infallible and there is much to correct and improve.

However, recent events, the world today, current and past crises, have abundantly proven that together we are much safer and stronger than separate.

I thank you for your attention.

