



Group of the Progressive Alliance of
Socialists & Democrats
in the European Parliament

Brussels, 22 of April 2020

Dear President Ursula von der Leyen,
Dear President Charles Michel,

The COVID-19 crisis is exposing the world and European economies to unprecedented challenges, forcing us to think outside the box and be courageous, to rise to the challenge and deliver on the expectations of EU citizens and to find the tools that will guarantee a quick recovery.

There is no time for blame games and EU leaders have to better explain what is at stake in order to dispel unjustified fears of “moral hazard”. The Union is based on the principles of fairness and solidarity, and only through solidarity, can there be a win-win situation for all. This is what our citizens expect from this week’s European Council meeting and we believe that European leaders have an historic opportunity to send a strong message of unity and solidarity.

The agreement of the enlarged Eurogroup of an unprecedented package of measures was a first step that needs to be urgently implemented. But in order to stimulate the economy, Europe will need a massive recovery plan for investment, beyond what the European Stability Mechanism, the European Investment Bank and the European Central Bank are already doing and beyond what Member States have already implemented at national level. The recovery plan will also require EU action in the form of awarding grants, not loans, and it is becoming even more obvious that a robust MFF certainly has to be part of the answer.

The current MFF proposal was already too small and incapable of addressing the EU’s challenges, even before the COVID-19 crisis. An updated MFF proposal that takes into account the social and economic consequences of the pandemic has therefore become a necessity. This update is an opportunity to have a robust and flexible MFF where priorities can be reassessed in light of the current challenges and to allocate significant resources to build a resilient, inclusive and climate neutral European economy. A mandatory mid-term revision will also be needed to reassess and adjust the second part of the 2021-2027 MFF.

However, it is clear that even a larger MFF will not be enough to escape the severe emergency. The current situation is forcing us to act very fast and with concrete measures to avoid an explosion of unbearable social consequences.

This is why we need a Recovery Fund of at least 1.5 trillion Euro, in addition to the MFF, as an extra tool to promote European resilience, to repair the social and health damages, to recover the European economy and restore the functioning of the internal market.

The Recovery Fund must be designed within the community framework (ensuring adequate democratic accountability by the European Parliament and Council) and must be placed within the headroom between the MFF ceilings and the own resources ceilings. This innovative financial instrument should be used to issue Recovery Bonds by borrowing money on the markets and issuing common debt (ultra-long or perpetual bonds) guaranteed by the EU budget and paid by future new own resources, making sure this plan is oriented towards future investment.

The own resources decision must therefore be revised accordingly in order to create enough headroom for such financing. The current 1.2% GNI ceiling is clearly not enough and needs to be raised to a minimum of 2% EU GNI.

In order to finance a recovery plan, now more than ever it is time that Europe steps forward in the coming weeks to negotiate a basket of new own resources, including revenues from the EU-ETS system and a fee on unrecycled plastics. Creating debt without planning how to pay it would not be credible. That is why a key feature of any serious recovery plan, and to avoid the mistakes of the post-2008 aftermath, is a new set of robust own resources for Europe, making public budgets and social safety nets stronger by raising revenue at EU level that could not be raised at national level.

These measures should all align with the principles of the European Green Deal, should lead to the implementation of the European Pillar of Social Rights and provide additional support to the Sustainable Europe Investment Plan to boost the EU's employment and economies toward sustainable, digital and inclusive development. Therefore, it should support investments that provide for macroeconomic stimulus and projects that will enable a more sustainable and socially just Europe, while guaranteeing the level playing field in the Single Market. Already before this crisis, the European Commission had stated that the Green Deal would require to bridge an investment gap assessed to at least 260 to 500 billion EUR per year over the next 10 years. With such resources, the Green Deal could create more than 5 million jobs in all our countries, which will be much needed to overcome this crisis. The new own resources should substantially contribute, not only to "save the economy of the past" in the short run, but also to bridge this investment gap in the long run to build a more resilient and green economy, the economy of the future.

In case the next MFF, set to be in place on 1 January 2021, cannot be agreed on time, we urge the Commission to present a contingency plan that guarantees the protection of beneficiaries of existing and new EU programs, and that also addresses the COVID-19 emergency. The EU institutions must be creative enough to prepare this contingency plan using all the leeway and scope given by the EU Treaties.

Finally, it is also crucial to reiterate that there can be no effective, successful and sustainable economic and social recovery without strong democratic systems and open, transparent and accountable public institutions at its core. Any 'emergency measure' taken by the Member States in response to fighting COVID-19, need to fully respect EU and international law, in particular the values enshrined in Article 2 of the Treaty, be justified and strictly proportionate to their aim, allow for democratic scrutiny and be temporary. In this context, I once again underline the urgent need to unblock the situation in the Council in order to finalise the proposal for a Regulation on the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States. We need to have a real and meaningful EU mechanism on democracy, the rule of law and fundamental rights in place equipped with proper sanctions, including the possibility to suspend payments from the EU budget.

Best wishes,



Iratxe García Pérez

President
Group of the Alliance of Progressives and Democrats in the European Parliament