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for the Next Generation

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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
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Europe's moment: Repair and Prepare for the Next Generation

{SWD(2020) 98 final}

Europe's moment: Repair and Prepare for the Next Generation

1. INTRODUCTION

The corona virus has shaken Europe and the world to its core, testing our healthcare and welfare systems, our societies and economies and our way of living and working together. People have lost their loved ones and their jobs, while plans and futures have been cast into uncertainty. Europe was confronted by a public health challenge that quickly became the most drastic economic crisis in its history. And we already see the indelible mark the virus will leave on our relationships, our politics and geopolitics. However, in adversity so often comes opportunity. Now is the time for our European Union to get back to its feet and move forward together to **repair damage from the crisis and prepare a better future for the next generation.**

It is in our common interest to support the hardest hit, strengthen our Single Market and invest in our shared European priorities. In our Union, a euro invested in one country is a euro invested for all. A collective and cohesive recovery that accelerates the twin green and digital transitions will only strengthen Europe's competitiveness, resilience and position as a global player. This is why **solidarity, cohesion and convergence must drive Europe's recovery.** No person, no region, no Member State should be left behind.

Since the pandemic started, the EU and its Member States have taken unprecedented measures to **protect lives and livelihoods.** The EU supported national efforts to tackle the health crisis and cushion the impact of the economic hit. It freed-up every available euro in its budget to fight the virus. It used the full flexibility in the budgetary and State aid rules and proposed to create SURE, a new instrument to help people stay in work.

This was part of a **first-response package** which can immediately provide more than half a trillion euro to support workers, small businesses and Member State economies. Along with measures taken by the European Central Bank, the EU response so far provides Member States with unprecedented firepower to help those that need it the most. These were the right measures taken at the right time but we know that this will not nearly be enough to kick-start our economies.

To get the economy moving again, confidence must return. People need to trust the places they work, buy and socialise in. They need to have certainty and peace of mind when it comes to their livelihoods and their future. Any recovery will depend on being able to gradually and sustainably lift containment measures, on our ability to live alongside the virus and on having a clear understanding of the situation across Europe.

This crisis is unlike any other we have faced before. It is disruptive and evolving in nature. And many of its effects and divisions will continue to play out in unexpected or unanticipated ways. What we do already know is that the necessary action taken by the EU and its Member States to prevent hundreds of thousands of deaths has come at a cost.

All of Europe has been affected and the economic shutdown means jobs, incomes and healthy companies have been put at risk in ways not seen in previous crises.

While the virus is the same in all Member States, **the impact and the potential for recovery looks very different**. Countries and regions with economies dependent on client facing services, exports or a high number of small businesses, will be hit much harder than others. And while every Member State has supported its workers and companies as much as possible, not all can do this to the same extent. This creates the risk of an imbalanced recovery, an uneven playing field and widening disparities. And it shows the need and the value of a European response.

The choices we make today will define tomorrow's future for the next generation. The massive investment needed to kick-start our economies must relieve the burden on their shoulders, not make it heavier. This is why the EU's recovery plan must guide and build **a more sustainable, resilient and fairer Europe** for the next generation.

Our generational challenges - the green and digital transitions – are even more important now than before the crisis started. Through the recovery, we will press **fast-forward on the twin green and digital transitions**. We will strengthen our strategic autonomy while preserving the benefits of an open economy. We will support our partners around the world and lead a renewed and reinvigorated form of multilateralism the world needs.

To live up to the extraordinary challenge and to prepare a better future, the Commission is today proposing a new recovery instrument, called **Next Generation EU**, within a revamped long-term EU budget. In total, **this European Recovery Plan will put € 1.85 trillion¹** to help kick-start our economy and ensure Europe bounces forward.

The recovery is likely to be long, but the needs are immediate. A swift agreement on these proposals will be a powerful statement of European unity, solidarity and shared sense of direction. Europe's recovery will be a team effort, from all of us as individuals, to social partners, civil society, business, regions, countries and institutions. **This is Europe's moment and it is time to seize it together**.

¹ Unless indicated otherwise, amounts are expressed in constant 2018 prices.

2. THE ANATOMY OF THE ECONOMIC CRISIS

To understand what Europe needs to do to recover, we must first have a clear picture of what we are facing. Predictions or definitive conclusions at this stage of the crisis are inevitably fraught with uncertainty. However, it is already clear that the economic outlook is full of risk and that the recession in Europe could be deep, damaging and prolonged if we do not take decisive action now.

The restrictions imposed to contain the spread of the virus slowed economic life down – in some cases almost to a standstill. Supply chains and production lines have been disrupted and the trade in goods and services have been interrupted. Household spending and private investment collapsed to historic lows. Europe's economy and most of its industrial ecosystems have been operating at a fraction of their capacity.

Put together, these factors are expected to lead to a sharp contraction of the EU economy. The figures are stark and the extent of the damage is unprecedented. Estimates suggest that EU Gross Domestic Product (GDP) fell by some 15% in the second quarter of 2020 as compared to the same time last year. **Overall, the EU economy is expected to shrink by more than 7% in 2020.** However, a worst-case scenario of a second wave and extended lockdown measures could lead anywhere up to a 16% drop in GDP this year.

While the economy is expected to return to growth in 2021, **the initial recovery will be partial and the impact felt acutely by people and businesses.** Many people are likely to see their income drop and their jobs put at risk. Unemployment is set to rise to 9% in the EU, hitting young people and those in low-skilled, temporary work and living in poorer households disproportionately hard. Poverty and inequalities are likely to rise, underlining the importance of a social and inclusive recovery. Liquidity and access to finance will be a continued challenge for companies, and in particular for smaller businesses. The risk of insolvencies will need to be mitigated to avoid worse knock-on effects.

The economic impact of the crisis will differ greatly between different parts of the economy. Businesses providing client-facing services or relying on crowded workplaces and customer areas are most affected. First Commission estimates show that tourism, the social economy and the creative and cultural ecosystems could see a more than 70% drop in turnover in the second quarter of 2020. Textile, transport, energy intensive industries and the renewable energy sector will also be hit hard. Ecosystems with higher consumer confidence, such as manufacturing, retail or health are likely to bounce back faster, while others may face a delayed economic hit.

The impact and recovery potential also depends on each country's demographic or economic structure, with for instance those with a high number of small and medium-sized enterprises (SMEs) hit harder. It also depends on their ability and capacity to absorb and respond to the shock, notably with the help of State aid. This has a considerable knock-on impact on the Single Market and widens divergences and

disparities between Member States. This is reflected in the fact that the recession will be close to 10% for some countries, compared to an average of between 6-7.5% elsewhere.

This picture, presented in greater detail in the accompanying needs assessment², shows the need for massive investment and financing. Putting a definitive figure on investment needs at this stage of the crisis is not an exact science. However, the needs assessment estimates that at least €1.5 trillion of additional public and private investment will be required in 2021 and 2022 to get Europe on the road to a sustainable recovery.

3. INVESTING IN THE NEXT GENERATION

The needs assessment shows the need for massive investment at scale and speed, including substantial public and private investment at national level. **If left to individual countries alone, the recovery would likely be incomplete, uneven and unfair.** This is a very real risk in other parts of the world. But in our Union where people, business and economies depend on each other, Europe is in a unique position to be able to invest in a sustainable recovery and future. This investment will be a **common good for our shared future** and will show the true and tangible value of being part of the Union.

Designed for cohesion, convergence and solidarity, the EU budget is a ready-made instrument. It is tried, transparent and trusted by all. It is made to invest in commonly agreed programmes and priorities and ensure that those who need more support get the investment they need to catch up.

This is why the Commission is today proposing a **new €750 billion recovery instrument, Next Generation EU**, embedded within a powerful and modern long-term EU budget. This is a historic and one-off proposal which reflects the scale and the size of the challenge facing us. The full breakdown of how this will work is set out in the accompanying Communication³, as well as the legal texts adopted today. The main features are the following:

Raising the money

The money for Next Generation EU will be raised by temporarily lifting the own resources ceiling to 2% of EU Gross National Income. This will allow the Commission to use its very strong credit rating to borrow €750 billion on the financial markets for Next Generation EU.

² SWD(2020) 98

³ COM(2020) 442

The funds raised will need to be repaid through future EU budgets - not before 2028 and not after 2058. To help do this in a fair and shared way, **the Commission will propose a number of new own resources**. These could include a new own resource based on the Emissions Trading Scheme, a Carbon Border Adjustment Mechanism and an own resource based on the operation of large companies. It could also include a new digital tax, building on the work done by the Organisation for Economic Co-operation and Development (OECD). The Commission actively supports the discussions led by the OECD and the G20 and stands ready to act if no global agreement is reached. These will be in addition to the Commission's proposals for own resources based on a simplified Value Added Tax and non-recycled plastics.

In addition to Next Generation EU, the Commission is proposing **a revamped EU budget, amounting to some €1 100 billion between 2021-2027**.

Investing the money

All of the money raised through Next Generation EU and the new EU budget will be channelled through EU programmes. This means that every euro of investment will be made available to get Europe back to its feet, to accelerate the twin green and digital transitions and build a fairer and more resilient society. It also means there is **full transparency and democratic accountability** for the European Parliament and Council. The money from Next Generation EU will be invested across three pillars, through €500 billion in grants and €250 billion in loans to Member States.

The first pillar is **support to Member States for investment and reforms** to address the crisis:

- ✓ A new **Recovery and Resilience Facility** with a budget of €560 billion – distributed in grants and loans. This will support Member States to implement investments and reforms that are essential for a sustainable recovery. Member States will design their own tailored national recovery plans, based on the investment and reform priorities identified as part of the European Semester, in line with National Climate and Energy Plans, Just Transition Plans and Partnership Agreements and Operational Programmes under EU funds.
- ✓ A new initiative, **REACT-EU**, will provide a top-up for cohesion support to Member States, with a budget of €55 billion. This will be available from 2020 and be distributed according to a new allocation key taking into account the impact of the crisis. This will ensure there is no interruption in funding for key crisis repair measures and support to the most deprived. It will support workers and SMEs, health systems and the green and digital transitions and be available across sectors – from tourism to culture.
- ✓ To support the green transition, the Commission is proposing to provide additional funding for the Just Transition Fund and the European Agricultural

Fund for Rural Development. Cohesion policy programmes will also be strengthened in the next EU budget period, also to allow for greater flexibility.

The second pillar is about **kick-starting the EU economy by incentivising private investment**.

- ✓ A new **Solvency Support Instrument** will mobilise private resources to provide urgent support to otherwise healthy companies. Investment will be channelled to companies in the sectors, regions and countries most affected. This will help to level-up the playing field for those Member States who are less able to support through State aid. It can be operational from 2020 and will have a budget of €31 billion, aiming to unlock more than €300 billion in solvency support. Guidelines will be developed to help align investments towards EU priorities.
- ✓ The Commission is proposing to **upgrade InvestEU**, the EU's flagship investment programme, more than doubling its capacity.
- ✓ In addition to the above, a **Strategic Investment Facility** will be created within InvestEU. It will be able to unlock €150 billion of investment thanks to the €15 billion put into it by Next Generation EU. This will invest in strengthening our resilience and strategic autonomy across key technologies and value chains.

The third pillar is about learning **the lessons of the crisis**:

- ✓ The Commission is proposing to create a **new standalone EU4Health programme**, with a budget of €9.4 billion. It will invest in prevention, crisis preparedness, the procurement of vital medicines and equipment, as well as improving long-term health outcomes. A number of other key programmes will be reinforced to learn the lessons from the crisis, notably rescEU and Horizon Europe.
- ✓ To **better support our global partners**, both the Neighbourhood, Development and International Cooperation Instrument and the Humanitarian Aid Instrument will be strengthened.

In addition to three pillars of spending through the Recovery Instrument, the Commission is also proposing to strengthen a number of other programmes in the EU budget, as compared to what was discussed by the European Council in February. These include the Common Agricultural Policy, the European Maritime and Fisheries Fund, the Single Market Programme and programmes supporting cooperation on tax and customs, the Connecting Europe Facility, Erasmus+, the Creative Europe Programme, the Digital Europe Programme, the European Defence Fund, the Internal Security Fund, the Asylum and Migration Fund, the Integrated Border Management Fund and pre-accession assistance.

4. REPAIR AND PREPARE THE NEXT GENERATION: THE POLICY FUNDAMENTALS

This disruptive and changing crisis is first and foremost a human tragedy. Beyond continued efforts to tackle the health dimension, the EU must prioritise the social dimension of this, notably by implementing the European Pillar of Social Rights. We must invest in protecting and creating jobs and in driving our competitive sustainability by building a fairer, greener and more digital Europe. We must repair the short-term damage from the crisis in a way that also invests in our long-term future. To achieve this, the EU must now show clarity of purpose and certainty of direction through its policies.

4.1. The European Green Deal: the EU's growth strategy

The European Green Deal is Europe's growth strategy. To ensure we use it to its full potential, it is essential that Next Generation EU drives our competitive sustainability. **Public investments in the recovery should respect the green oath to "do no harm"**. The priorities identified in the European Semester, National Energy and Climate Change Plans (NECPs) and Just Transition Plans should guide this investment. The investment guidelines for the new **Solvency Support Instrument** will also reflect the need to prioritise green investments. This will be supported by the 25% of the EU budget spent on climate investments and additional funding for Horizon Europe, reflecting the crucial role of research and innovation in driving the shift towards a clean, circular, competitive and climate neutral economy.

To help unlock the private investment needed, long-term certainty and predictability are essential. This underlines the importance of the Climate Law and the upcoming proposals for **more ambitious emissions reduction targets for 2030**. The EU **sustainable finance taxonomy** will guide investment in Europe's recovery to ensure they are in line with our long-term ambitions. This will be supported with a **Renewed Sustainable Finance Strategy** later this year. To ensure environmental and social interests are fully embedded into business strategies, the Commission will put forward a new initiative in 2021 on **sustainable corporate governance**.

This investment should help the **European Green Deal become a job-creating engine**. Meeting the existing 2030 climate and energy targets can add 1% of GDP and create almost 1 million new green jobs. Investing in a **more circular economy** has the potential to create at least 700,000 new jobs by 2030 and help the EU to reduce its dependency on external suppliers and increase its resilience to global supply issues.

As well as providing long-term certainty, the green recovery must also help to kick-start Europe's economy quickly and at the local level. The upcoming **Renovation Wave** will focus on creating jobs in construction, renovation and other labour-intensive industries. Through regulatory and financial support, such as a **doubled in size sustainable infrastructure window in InvestEU**, the aim will be to at least double the annual renovation rate of existing building stock. Member States will also be able to use funds from the Recovery and Resilience Facility for this purpose, in line with identified

priorities under the European Semester or the NECPs. This will help save money on energy bills, provide healthier living conditions and reduce energy poverty.

In the same spirit, the Commission will also focus on **unlocking investment in clean technologies and value chains**, notably through the additional funding for Horizon Europe. The new Strategic Investment Facility will invest in technologies key for the clean energy transition, such as renewable and energy storage technologies, clean hydrogen, batteries, carbon capture and storage and sustainable energy infrastructure. The work of the European Battery Alliance will be fast-tracked and the new **Clean Hydrogen Strategy and Alliance** will steer and coordinate the rapid upscaling of clean hydrogen production and use in Europe. The Commission will also make proposals to boost uptake of offshore renewable energy and to better integrate the energy system.

The crisis has also demonstrated the crucial role that transport plays, with interrupted transport and logistic routes across all modes hitting our value chains and economies. To help create more jobs, there will also be a focus on accelerating the production and deployment of **sustainable vehicles and vessels** as well as **alternative fuels**. The Connecting Europe Facility, InvestEU and other funds will support the financing of the installation of **one million charging points**, clean fleet renewals by cities and companies, sustainable transport infrastructure and enable the shift to clean urban mobility. Public investment to relaunch the recovery of the transport sector should come with a commitment from industry to invest in cleaner and more sustainable mobility.

Protecting and restoring biodiversity and natural ecosystems is key to boosting our resilience and preventing the emergence and spread of future outbreaks.. This redoubles the importance of the recently adopted **EU Biodiversity Strategy for 2030** and the upcoming EU Forest Strategy. Under InvestEU a new natural capital and circular-economy initiative will mobilise at least €10 billion over the next 10 years.

The Common Agricultural Policy and the Farm to Fork Strategy will **support our farmers and agricultural sector to thrive** and continue to provide us with the affordable, nutritious, safe and sustainable food we need, while strengthening our supply chains and addressing the issues that were exposed during the crisis. Given the vital role of farmers and rural areas in the green transition, the Commission is today proposing to reinforce the budget for the **European Agricultural Fund for Rural Development** by €15 billion.

Many people, regions and sectors hit hardest by the crisis will also have to make a bigger change than most. This is why the Commission is today proposing to strengthen the **Just Transition Fund** with an additional €32.5 billion. This funding will be used to alleviate the socio-economic impacts of the transition, supporting re-skilling, helping SMEs to create new economic opportunities, and investing in the clean energy transition. The Commission is also making proposals to set up the new public sector loan facility that forms the third pillar of the Just Transition Mechanism. This will be supported by €1.5 billion from the EU budget and €10 billion in lending by the European Investment Bank.

4.2 A deeper and more digital single market

The pandemic and its consequences on our lives and economies have highlighted the importance of digitisation across all areas of EU economy and society. New technologies have kept our businesses and public services running, and made sure that trade could continue flowing. They have helped us all to stay connected, to work remotely and to support our children's learning.

In the long run, this is likely to trigger permanent and structural changes in societal and economic life: more teleworking, e-learning, e-commerce, e-government. This highlights the potential of developing a universally accepted e-ID - **public electronic identity** – to allow for simple, trusted and secure access to cross-border digital public services.

Four elements will be key for a digital recovery, helping to stimulate competitive innovation and to provide users with greater choice.

First, we will need to **invest in more and better connectivity**. The rapid deployment of 5G will have spill-over effects across the whole digital society and increase Europe's strategic autonomy. This will support wider efforts to build infrastructure that can handle emerging and future processes and applications. It will also provide the necessary bandwidth for health, education, transport, logistics and media which are essential for our resilience, competitiveness and economic recovery.

Second, we will need a **stronger industrial and technological presence** in strategic parts of the digital supply chain. Just as it became clear how important connectivity and digital technologies are, we are also reminded of the importance of security of technology. This reaffirms the need for Europe to have tech sovereignty where it matters, as well as keeping open trade and the flow of innovation going.

In this spirit, recovery investment will be channelled towards **strategic digital capacities and capabilities**, including artificial intelligence, cybersecurity, secured communication, data and cloud infrastructure, 5G and 6G networks, supercomputers, quantum and blockchain. This will be a priority in the Recovery and Resilience Facility, InvestEU and the Strategic Investment Facility. The investment guidelines for the new Solvency Support Instrument will also reflect the need to prioritise digital investments. This will also help to bridge Europe's digital divide, which has become even more apparent during the crisis.

Third, we must build a **real data economy** as a motor for innovation and job creation. Data offers opportunities for businesses to develop products and services. To make the most of this, we need **common European data spaces in key sectors and areas**, including in support of European industry, the implementation of the European Green Deal, health, mobility and public administration.

To bring this to life, the Commission will present legislative action on **data sharing and governance** to help put in place the right structures to handle data sharing across

Member States and sectors, tackle barriers to digital trade and make Europe fit and able to compete in the 21st global economy. This will facilitate the setting up of common data spaces and strengthen governance on issues such as data portability or access. This will be followed by a **Data Act**, which will establish the conditions for better access and control of industrial data. The Commission will also propose to make high value government datasets available for the common good through more open access for research, innovation and SMEs.

The fourth element is the need for a **fairer and easier business environment**. The extended lockdown boosted internet shopping and online business models. This trend will only accelerate in the months and years to come, with more companies switching to digital to do business. However, the online environment is currently dominated by a number of large platforms. Their position – and their greater access to key data resources – has an impact on the ability of smaller European companies to start up, scale up or make the most of the Single Market.

These issues must be addressed if Europe is to make the most of the digital recovery. In this spirit, one of the aims of the new **Digital Services Act** will be to improve the legal framework for digital services, with clear rules for online platforms. It will offer greater security for consumers online, prevent the abuse of market power by platforms and ensure a fair market place with equal opportunities for smaller businesses.

We must also focus on reducing administrative burden and making it easier for companies, especially SMEs, to use digital tools, such as e-signature. They need support to get easier access to data and reduce red tape through digital solutions, for example for contracts. The use of one-stop support shops and simplifying online administrative procedures should be encouraged.

Digitisation of public procurement, including by developing **national e-procurement systems and platforms**, will be prioritised. This will be supported by the full implementation of the company law package to facilitate the digitisation and mobility of companies and of the single digital gateway.

During the last weeks, we have also witnessed an extraordinary increase in malicious attacks from multiple sources, attempting to capitalise on the disruption caused by the pandemic for criminal or for geopolitical reasons. Improving the digital capabilities of law enforcement will preserve their ability to protect citizens effectively. The digitisation of justice systems can improve access to justice and the operation of the business environment.

A new **Cybersecurity Strategy** will look at how to boost EU-level cooperation, knowledge and capacity. It will also help Europe strengthen its industrial capabilities and partnerships, and encourage the emergence of SMEs in the field. This will accompany the review of the Directive on security of network and information systems and a proposal for additional measures on Critical Infrastructure Protection. Together with the

ongoing work on cybersecurity as part of the EU Security Union, this will increase capabilities within Member States and boost the EU's overall cybersecurity.

4.3. *A fair and inclusive recovery*

This crisis is a human tragedy. Europe must do everything it takes to ensure that what started as a health pandemic – and became an economic emergency – does not become a fully blown social crisis. Millions of people across the EU have either lost their job or are on short-time work schemes and millions more could be at risk given the high-level of uncertainty.

Supporting **people to stay in work**, and creating new jobs, will drive our efforts. In the short term, the new temporary instrument to mitigate unemployment risks in an emergency (**SURE**) will provide 100 billion EUR to help workers keep their income and ensure businesses can stay afloat and retain staff. The Commission will build on this, as well as on the experiences of newly created short-term work schemes in many Member States, when proposing a permanent instrument in the future.

The new **Solvency Support Instrument** will help keep companies in business and people in work. The European Investment Bank's the new pan-European guarantee fund will be able to support SMEs who employ around two-thirds of the EU's workforce. The regions most affected by the crisis will be able to access fast and flexible support under the new REACT-EU initiative. In the medium to longer term, efforts to restore a fully functioning Single Market, as well as the investment made through Next Generation EU, will create new jobs across the economy, notably in the green and digital transitions.

All of this reflects the need for the recovery to be fair and inclusive. It must address the disparities and inequalities either exposed or exacerbated in the crisis and promote territorial cohesion. The starting point is **solidarity: between people, generations, regions and countries**. This will need to be done in close cooperation with social partners, civil society and other stakeholders. Our compass to achieve this will remain the **European Pillar of Social Rights**.

The EU will ensure that **equality is at the heart of the recovery**. A prosperous and social Europe depends on us all, irrespective of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation. This is doubly important in a crisis which has had disproportionate impact on a number of groups in society.

Ensuring that all workers in the EU earn a decent living will be essential for the recovery. When set at adequate levels, **minimum wages** help vulnerable workers to build up a financial buffer during good times and limit the fall in income during bad times. Given women are overrepresented and underpaid in many front-line jobs, the need to close the

gender pay gap, including through **binding pay transparency measures**, becomes all the more important.

Reinforced **youth employment support** will help young people get into work, training or education, while a strong **social economy** can offer unique opportunities to help most vulnerable to return to the labour market.

The virus has also been particularly painful for the elderly, who are hit hardest from the virus and are the most secluded in their homes. The Commission's upcoming work on ageing and on persons with disabilities will take into account the experience and the lessons of the crisis. At the other end of the scale, we also need to mitigate the crisis' impact on children. The Commission will propose the **European Child Guarantee** in 2021 to ensure that all children have access to basic services like health and education.

Everyone will benefit from Europe's recovery and everyone must contribute to making it happen. To ensure that solidarity and fairness is at the heart of the recovery, the Commission will step up the **fight against tax fraud** and other unfair practices. This will help Member States generate the tax revenue needed to respond to the major challenges of the current crisis. A **common consolidated corporate tax base** would provide business with a single rulebook to compute their corporate tax base in the EU. Tax simplification can improve the business environment and contribute to economic growth.

The crisis is a test for our social protection systems and necessary investments need to fill the gaps in coverage that have become apparent in the crisis, for instance for those self-employed. This was in particular the case for **platform workers** who in many cases fall outside the scope of EU labour legislation and therefore need to be provided with fair working conditions and adequate social protection.

As Europe sets off on its path to recovery towards a greener, digital and more resilient economy and society, the need to improve and adapt skills, knowledge and competences becomes all the more important. The crisis has also shown the importance of digital skills, for children, students, teachers, trainers and all of us to communicate and work. The Commission will come forward with a **Skills Agenda for Europe and an updated Digital Education Action Plan**.

The lockdown of society also proved to be a time of fear and suffering for victims of domestic violence and abuse, with evidence of a substantial increase of cases. The EU will do all it can to prevent and combat gender-based violence, support and protect victims of such crimes, and hold perpetrators accountable for their abusive behaviour. The **Victims' Rights Strategy** will pay particular attention to the specific needs of victims of gender-based violence.

5. BUILDING A MORE RESILIENT UNION AND SINGLE MARKET

The pandemic has served to reaffirm the **interdependence of our economies** and the importance of a fully functioning Single Market. Member States have shared the gains from the Single Market for almost thirty years and, for some, intra-EU trade amounts to over 70% of exports. Our industrial ecosystems are increasingly integrated and connected. Research, engineering, manufacturing, assembly and servicing often take place in different parts of Europe, and allow businesses to be more competitive and focus on what they do best. This will be exactly what is needed for Europe's recovery.

The crisis has also broken up parts of our productive tissue and has affected crucial supply chains. This disruption of production and decline in demand in one Member State will have a significant impact in others. If not addressed, this could lead to closures and job losses and will ultimately hamper our competitiveness and the speed of recovery in other Member States. **Given the scale and the nature of this challenge, the response can only be European.**

This starts with **ensuring that our Single Market works properly again**. Three out of the four freedoms were severely impacted by the pandemic: people, goods, services. Following initial issues, the decisive action taken to ensure the free movement of goods and products helped our grocery shops stay open and many of our factories to continue working. The free movement of people was essential to allow transport, seasonal and other workers to keep supply chains going.

These actions helped ensure basic business continuity but recovery will mean fully reinstating all four freedoms. We must continue reducing our regulatory burden simplifying our internal market rules and ensuring they are fully enforced and implemented. The new **Single Market Enforcement Task Force** will be essential to identify and address barriers that arise due to improper application or enforcement. It will ensure the full implementation of the Single Market Enforcement Action Plan adopted in March.

To maintain the level playing field and keep the Single Market working, the Commission is proposing a new tool, the **Solvency Support Instrument**, to provide support to healthy companies who are now at risk because of the economic shutdown. They should be supported to get easier and quicker access to finance. This highlights the importance of **completing the Capital Markets Union and the Banking Union**, key elements in the deepening of the Economic and Monetary Union. This will help provide economic and financial stability throughout the recovery and strengthen our resilience to future shocks. The Commission will also draw its conclusions on the review of economic governance after the crisis.

The crisis has also tested the **EU competition framework**, which was adapted quickly to allow especially indispensable national support through State aid. At the same time, it is important that these temporary flexibilities does not cause long-term fragmentation in the Single Market. EU competition policy is essential to ensuring a level playing field in

today's economy, driving innovation and giving consumers more choice. It brings the best out of our companies and enables them to stay competitive globally. As Europe sets out on its recovery path and speeds up the twin transitions, we should ensure that competition rules remain fit for today's world. To make this happen, the Commission is currently reviewing the EU competition framework.

The crisis has also revealed a number of vulnerabilities and a significant increase in certain crimes, such as cybercrime. This shows the need to reinforce the **EU Security Union**. As part of this, the EU Security Union Strategy will address these challenges and build on the work for a secure internal market and society.

The crisis has also put a severe strain on Member States' asylum systems and on border management in the European Union. The new **Pact on Migration and Asylum** will seek to make the EU's management of asylum, migration and borders more effective, fairer and flexible enough to respond to crises.

5.1. Open strategic autonomy and strong value chains

The crisis has also revealed a number of areas where Europe needs to be more resilient to prevent, protect and withstand future shocks. We will always be committed to open and fair trade but must be aware of the need to reduce dependency and strengthen security of supply, notably for things like pharmaceutical ingredients or raw materials.

To do this, Europe must focus on enhancing its strategic autonomy, economic security and potential for job creation. The Commission is proposing a new **Strategic Investment Facility** to support cross-border investments to help strengthen and build European strategic value chains. It will incentivise European industrial and business leadership in a number of key ecosystems, notably those linked to the twin green and digital transition. This will strengthen the Single Market, underpin the new EU industrial strategy⁴ and contribute to a more circular economy.

A new **pharmaceutical strategy** will address risks exposed during the crisis which affect Europe's strategic autonomy and will also support the building of additional pharmaceutical manufacturing and production capacities in Europe.

With the transition to climate-neutrality, the reliance on available fossil fuels risks to be replaced with reliance on other non-energy raw materials, for which global competition is becoming more intense. Waste prevention, boosting recycling and increasing the use of secondary raw materials will help reduce this dependency. New investments in recycling will help provide for strategic secondary raw materials. A new **Action Plan on Critical Raw Materials** will also look at how to strengthen crucial markets in a sustainable way for e-mobility, batteries, renewable energies, pharmaceuticals, aerospace, defence and

⁴ COM(2020) 102

digital applications. This will be supported by the full implementation of the **Circular Economy Action Plan**.

Global trade and its integrated value chains will remain a fundamental growth engine and will be essential for Europe's recovery. With this in mind, Europe will pursue a model of **open strategic autonomy**. This will mean shaping the new system of global economic governance and developing mutually beneficial bilateral relations, while protecting ourselves from unfair and abusive practices. This will also help us diversify and solidify global supply chains to protect us from future crises and will help strengthen the international role of the euro. In this spirit, the EU will undertake a **Trade Policy Review** to ensure the continuous flow of goods and services worldwide and to reform the World Trade Organization.

At the same time, the EU also needs to protect its strategic assets, infrastructure and technologies from foreign direct investments that could threaten its security or public order, through a **reinforced Foreign Direct Investment screening mechanism**. In this crisis, state subsidies from third countries have the potential of further un-levelling the playing field in the Single Market. This will be addressed in the upcoming Commission White Paper on an instrument on foreign subsidies. A swift agreement on the proposed International Procurement Instrument will also be essential to strengthen the EU's ability to negotiate reciprocity and market opening with its partners.

Should differences in climate ambition levels around the world persist, the Commission will propose a **Carbon Border Adjustment Mechanism** in 2021 to reduce the risk of carbon leakage, in full compatibility with WTO rules. This would be a new own resource for the EU budget, helping to repay funds raised for Next Generation EU in the future.

5.2. Stronger coordination on public health and enhanced crisis management

The public health crisis our Union currently faces has shown the strength, skill and courage of Europe's healthcare workers. However, our public health systems, which remains some of the best and most accessible anywhere in the world, have come under severe strain. And coordination between Member States on health issues was also tested in the immediate onset of the crisis.

With this in mind, and in order to improve joint preparedness for future health crises, the Commission will propose to **strengthen the European Medicines Agency** in monitoring production and supply of essential medicines in the EU to avoid shortages. It will also give a **stronger role for the European Centre for Disease Prevention and Control (ECDC)** in coordinating surveillance, preparedness and response to health crises.

The EU's health regulatory framework should also be strengthened and the use of joint procurements for health supplies increased. This would learn the lessons from the crisis, starting with the procurement of vaccines in the immediate term. We will also propose to create a **European Health Data Space** to promote health-data exchange and support research in full respect of data protection.

More resilient health systems need the proper investment and financial support that matches their leading role. The Commission is today proposing a standalone **EU4Health programme** to support Member States and the EU to build up capacity and preparedness for future health crises. It will help deliver a long-term vision for well-performing and resilient public health systems, notably by investing in disease prevention and surveillance, and improving access to healthcare, diagnosis and treatment.

Research and innovation will be essential to increase our knowledge of diseases, treatments and vaccines, and strengthen our autonomy and leadership in value chains. This is why as part of the next long-term budget, the Commission is proposing to reinforce **Horizon Europe** to support research and innovation in the health field, extend clinical trials, improve access to research infrastructure and help anchor sound science at the heart of the policy process.

The current crisis has also emphasised the need for **coordination and crisis response at European level**. While coordination between Member States picked up quickly after a slow start, there is a need to learn the lessons of the crisis. This means putting in place stronger crisis preparedness and crisis management for future scenarios.

The Commission is today proposing to **strengthen rescEU** to build the permanent capacity to handle all types of emergencies. This will strengthen its capacity to invest in emergency response infrastructure, transport capacity and emergency support teams. It will create a EU-level reserves of essential supplies and equipment to be mobilised in response to major emergencies.

Another lesson is the need for a fast, flexible and coordinated EU response to crises. In this spirit, the Commission is proposing to strengthen its emergency tools and make them more flexible so resources can be deployed quickly and at scale when needed. This includes the European Solidarity Fund and the European Globalisation Adjustment Fund. The **Solidarity and Emergency Aid Reserve** will also be significantly strengthened to enable a rapid response to crises both within and outside the EU.

6. A RECOVERY BASED ON EU VALUES AND FUNDAMENTAL RIGHTS

The crisis is testing Europe's way of life. To help save lives, some of our freedoms have been constrained. Essential elements that make our society work have often been put on hold. Our democratic resilience has been tested. However, Europe must never compromise on its values. **The recovery must be based on fundamentals rights and full respect of the rule of law.**

In the face of the crisis, all Member States had to adopt emergency measures. The Commission made clear from the onset that emergency measures must be strictly proportionate and limited in time and in nature. All such measures must be subject to regular scrutiny and all rights respected in full.

The crisis has also exposed a number of vulnerabilities in the rule of law. This ranged from the stress on justice systems to the uneven capacity of institutional checks and balances to work effectively. Media and civil society faced new obstacles in playing their role in the democratic debate. The Commission's **Annual Rule of Law Report** will look closer into this across all Member States. The Commission's proposal for a Regulation **on the protection of the EU budget against generalised deficiencies in the rule of law** will also be a key feature.

The crisis also highlighted threats to our democracy. It brought with it a new “infodemic” from those wanting to manipulate the public space and spread false messages, propaganda and hate narratives. While upholding freedom of expression and supporting media, the Commission will address the most immediate disinformation challenges linked to the pandemic and will also use the **European Democracy Action Plan** to draw the lessons and build resilience for the future.

All of this reflects the even more important need to strengthen and nurture our democracy. This starts with giving people a greater say in their future. Through the **Conference on the Future of Europe**, citizens should play a leading and active part in setting our priorities and our level of ambition in building a more resilient, sustainable and fair Europe.

7. A STRONGER EUROPE IN THE WORLD

The pandemic and the economic crisis will redefine the way in which global powers and partners interact. The threat of a potential erosion and fragmentation of the global order has markedly increased. At the same time, a virus that knows no borders creates a shared challenge and makes a strong and urgent case for strengthened multilateralism and international rules-based order. More than ever, **global challenges require international cooperation and common solutions.**

The ties between us need continued maintenance to adapt to new realities and to face the disruptive developments of the 21st century. The world must avoid a global ‘great game’ to come out first and on top, to the detriment of others. It should focus on what it can do together, from security to climate and environment, from fighting inequalities to strengthening international trade and international institutions.

The EU is leading the global response, working closely with the United Nations (including the World Health Organisation and the International Labour Organisation), the G20, the G7, the International Monetary Fund and the World Bank. In doing so, the EU and its Member States will need to leverage their collective strength on the global stage.

In this spirit, the Commission hosted a pledging conference to raise €7.5 billion for the development of vaccines, treatments and tools as a global common good. **Any future vaccine must be produced by the world, for the whole world and be affordable and accessible for all.**

In the longer-term, the EU will only successfully recover if our partners around the world also recover. Investing in a sustainable global recovery is therefore in the EU's interest. This will require a massive and coordinated response, driven by international solidarity, openness and leadership. As a leading economic power and the world's largest donor of international aid, the EU will always be open and ready to support its partners. This is illustrated by the more than €23 billion mobilised by **Team Europe** to support partner countries and international organisations to face the humanitarian, health, social and economic impact of the crisis.

The EU has provided support to its partners and neighbours throughout this crisis and is ready to do more. To help make this happen, the Commission is today proposing to **reinforce the Neighbourhood, Development and International Cooperation Instrument** by setting it at a level of €86 billion. A strengthened Humanitarian Aid Instrument will ensure Europe can provide tangible solidarity to those most in need. To support our partners in the Western Balkans, the Commission is proposing to increase pre-accession assistance to €12.9 billion.

With the crisis sparking a further increase geostrategic tensions, Europeans need to take greater responsibility in ensuring their own safety. In cooperation with its partners, the EU must further strengthen its role as a security provider and a pillar of stability in the world order. To that end, it will continue upholding multilateralism and more effectively promote its economic and strategic interests. It must also strengthen its technological autonomy and cooperation in the development of defence capabilities.

8. CONCLUSION – EUROPE'S MOMENT

This is Europe's moment. Our willingness to act must live up to the challenges we are facing. National efforts alone will not be enough - Europe is in a unique position to be able to invest in a collective recovery and a better future for next generations.

This is our defining generational task. The investment we make through Next Generation EU will not only help kick-start the economies and support workers, companies and regions today. It will invest in the future and make us more resilient so that we emerge stronger and further forward than before. We will accelerate the twin green and digital transition and make sure that people are at the heart of the recovery.

The European Commission invites the **European Council** and the co-legislators to examine these proposals rapidly, with a view to reaching a political agreement at the **European Council**. An early decision will allow funds to be available immediately and address the most urgent areas.

The Commission will then work closely with the European Parliament and the Council to finalise an agreement on the future long-term framework and the accompanying sectoral programmes. Completing this work in the early autumn would mean that the new long-term budget could be up and running and driving Europe's recovery on 1 January 2021.

Europe's recovery and building a better future for the next generation will not be easy and it cannot be done alone. This will need political will and courage and buy-in from all of society. **This is a common good for our shared future.**