



Brussels, 25th March 2020

Letter to PES leaders

Covid-19 crisis : Europe needs an urgent Recovery Plan

The world is facing a crisis of historic proportions. We are currently in the middle of the first phase of the battle against covid-19, focusing on halting the spread of the epidemic, saving the lives of those at risk, and keeping our health systems afloat. This is a phase of emergency, where saving human lives is and must be the absolute priority. It is clear that **this is only the first phase of a crisis that will have deep and long-lasting consequences**. The crisis is hitting the whole of Europe, but its impact could be very different from country to country. As political leaders, as socialists and social-democrats, we have a duty to be prepared to take the bold steps that will be needed. We must address this common challenge together. People, families and communities expect our action.

Covid-19 is a strong reminder of the need for increased **solidarity inside our societies, and between our Member States**. It will be up to us to put forward a **stronger European coordination, and stronger welfare states to make this solidarity effective**. We must stress that fighting an epidemic requires **strong healthcare systems**, that fighting its economic consequences requires **strong social safety nets, strong public services and bold public investment**.

Our immediate and first priority must be to **protect the lives** of citizens, and **support the medical institutions** so that they can remain afloat during this crisis. To overcome the pandemic, it is absolutely vital that the **supply chain** for essential goods, services, and information remain open and fluid. The designation of priority freight lanes – the so-called “**green lanes**” – for the rapid movement of medical and other essential supplies seems a key element of this. It is clear that any attempt at a national solution, without coordination and solidarity between our countries is bound to fail. We need to work together, to quench the spread of the virus, but also to spare no effort to support scientific research so as to find in the shortest possible time **an efficient vaccine or treatment**.

Looking beyond the immediate emergency, **Europe needs a Recovery Plan** that must include the following elements:

- **Stronger and immediate measures to save jobs and protect the economy.** Currently, Member States are taking urgent measures to support their health sectors and provide financial assistance to workers, SMEs and business. The EU must take all the necessary measures in order to help all European citizens in need and ensure the social cohesion of our societies. It is clear that all financial assistance available has to be dedicated to ensuring stability and continuity of European industries and the people employed in it.
- A long-lasting fiscal framework that favours a pro-growth agenda for the upcoming years. We welcome the **suspension of the European fiscal rules** to give governments the flexibility to cater the needs of their societies. We must not repeat the mistakes of the past. Social and economic inequalities are already a huge burden for Europe. Insufficient reaction to this crisis will exacerbate them even more, shaking not only societies but the foundation of Europe and its credibility. Upward fiscal convergence remains a political goal. Member states, SMEs, businesses will need to invest to recover. We must categorically reject any attempts to answer economic downturn by **imposing austerity measures. This approach has already proven to be fatal to a quick and socially balanced recovery.** Instead, we must strengthen investment and fiscal flexibility to tackle this economic crisis.
- **Social protection**, through new or existing schemes, should be provided for all workers, **including platform workers, seasonal and migrant workers, and the self-employed. They must have** access to unemployment benefits, social assistance and public employment programmes when in need. Every worker should also have **the right to a paid sick leave** and workers in non-standard forms of employment must be supported too when their main employer or contractor ceases its activities, for example in the case of a lockdown.
- Many enterprises will be put under pressure by lockdown measures, because their workers will not be able to come and work and their clients to buy. The private sector must thus be supported, in particular **SMEs and the self-employed, to preserve their activities and jobs.** Financial support, tax relief, or state premiums distributed to all citizens can help maintain the economic activities and preserve more jobs.
- Creating a **European unemployment reinsurance fund**, to support those who will have lost their jobs, and allow everyone to be part of this economic recovery. People's living standards need to be maintained.

Financing the Recovery with the following tools :

- The **ECB must maintain a bold 'whatever it takes'** approach by increasing its government bond buying programme and helping economies grow by offering interest rates close to zero or even below. Financial liquidity support will be essential for the recovery, but we need to **make sure that our help is reaching the real economy:** families, workers and small businesses. They are our priority.
- We must boost synergies between the **EIB and national investment banks** in order to promote and increase investments. Nevertheless, fully overcoming the widespread socioeconomic shock from this pandemic requires more than just credit lines. If we are serious about our strategic capacity and global leadership, the Euro Area needs the **fiscal capacity** to directly provide support to our citizens and to relaunch our economy through grants and investment support.
- Existing **financial assistance mechanisms** such as the European Financial Stability Mechanism and the European Stability Mechanism need to be deployed in order to provide

immediate support at low cost and without conditions. A credit line must be granted as an extra safeguard for triggering economic growth. **This is a health and social emergency, not a playground for ill-advised neoliberal reforms.**

- A common threat requires a common solution. Issuing **eurobonds** is the most sensible option to finance Europe's long-term recovery strategy at a low cost. This is an efficient and sustainable solution to work together and help families and SMEs – but also a key tool to deliver on our promises to all European citizens. Our strategic autonomy and global leadership depends on the ability to act as a whole. **Solidarity must not be a word in our speeches, but a guideline in our actions.**

The crisis has shown the importance of common action. A stronger **EU budget** will mean a better return for every European, through better funded cooperation on research, on emergency responses capabilities, and on all the other areas where the joint EU action reinforces the actions at national level. The negotiations on the MFF for 2021 to 2027 should not be put on standstill, assurances must be put in place that budgetary lines and programmes will continue uninterrupted. Budgetary predictability is fundamental in times of crisis. The discussion on creating new own resources must continue with ambition given the unprecedented circumstances at national level.

This crisis has comforted us in the knowledge that our fundamental aspiration for a society based on solidarity and strong public services is the right way forward. We are determined to step up our efforts in defence of **strong welfare states**. For too long, neo-liberals considered public services as a burden that they should get rid of. Hospitals have been running at the lower end of what is feasible: with just enough personnel, with just enough equipment, with just enough infrastructure to get by. Today more than ever we say no to this. There can no longer be any doubt that there is a vital need for quality hospitals, sufficient doctors and nurses, resilient education systems, and that our political family will fight with even more determination to defend and promote them. **Public services are the pillars of our society**, and they must get the attention and support they deserve. The full impact of the crisis will only be known in time.

Once this emergency phase of the crisis is over, Europe will be faced with some fundamental choices. I firmly believe that for the wellbeing of our citizens, our societies, our economies, we will need to take bold steps and break with certain practices from the past. Solidarity, joint action, welfare and protection must be the driving forces of tomorrow. After the covid-19 crisis, there is no more business as usual.



Sergei Stanishev
PES President