

PRESS RELEASE

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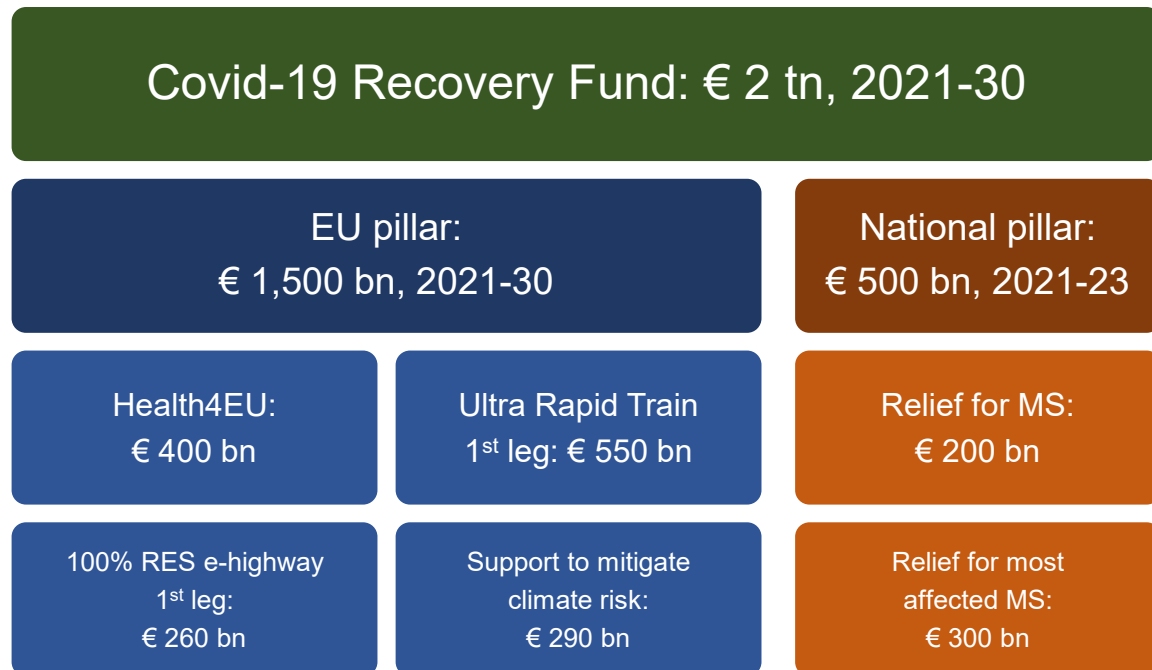
How to Spend it A Franco-German-Austrian proposal for a European Covid-19 recovery programme

The **Recovery Fund** recently proposed by the **EU Commission** marks a sea-change in European integration. Yet it will not be enough to meet the challenges Europe faces. In a joint [Policy Note](#) the Macroeconomic Policy Institute (**IMK**) in Düsseldorf, the Paris-based Observatoire français des conjonctures économiques (**OFCE**) and the Vienna Institute for International Economic Studies (**wiiw**) propose a 10-year, **€2 trillion investment programme** focusing on public health, transport infrastructure and energy/decarbonisation. It would finance genuinely European projects so that the EU emerges stronger from the **Covid-19 crisis**.

- The **Recovery Fund recently proposed by the EU Commission** marks a sea-change in European integration. Yet it **will not be enough** to meet the challenges Europe faces. There has been much public debate about financing, but little about the sort of **concrete** projects that the EU should be putting public money into.
- Here **we propose a 10-year, €2tn investment programme** focusing on public health, transport infrastructure and energy/decarbonisation.
- **It consists of two pillars**. In a **national pillar**, Member States – broadly as in the Commission proposal – would be allocated €500bn. Resources should be focused on the hardest-hit countries and front-loaded: we suggest over a three-year horizon.
- The bulk of the money – €1.5tn – would be devoted to finance **genuinely European projects**, where there is an EU value added. We describe a series of flagship initiatives that the EU could launch in the fields of public health, transport infrastructure and energy/decarbonisation.
- We call for a strengthened **EU public health agency** that invests in health-staff skills and then facilitates their flexible deployment in emergencies, and is tasked with ensuring supplies of vital medicines (**Health4EU**).
- We present costed proposals for two ambitious transport initiatives: a dedicated European high-speed rail network, the **Ultra-Rapid-Train**, with four-routes cutting travel times between EU capitals and regions, and, alternatively, an integrated **European Silk Road** initiative that combines transport modes on the Chinese model.
- In the area of energy/decarbonisation we seek to “**electrify**” the **Green Deal**. We call for funding to accelerate the realisation of a smart and integrated electricity grid for 100%-renewable energy transmission (**e-highway**), support for complementary battery and green-hydrogen projects, and a programme, modelled on the SURE initiative, to **co-finance member-state decarbonisation and Just Transition policies**.

- The crisis induced by the pandemic, coming as it does on top of the financial and euro crises, poses a huge challenge. The response needs to take account of the longer-run structural challenges, and above all that of climate change. The European Union should rise to these challenges in the reform of an **ambitious medium-run recovery programme, appropriately financed**. An outline of such a programme is set out here by way of illustration, but many permutations and options are available to policymakers.

Suggested architecture of a European Covid-19 Recovery Programme



Note: The EU pillar (time period 2021-2030) includes: Health4EU agency costs of €20 bn p.a. plus health infrastructure support of €20 bn p.a. (i.e. two fifth of the health infrastructure gap of €50 bn p.a. for the countries with tight budgets); Ultra Rapid Train (alternatively a European Silk Road of similar costs) 1st half of the total €1.1 tn, i.e. €550 bn; 100% RES e-highway 1st half of the total €520 bn, i.e. €260 bn; remaining €290 bn in support to member state policies to mitigate climate risk.

Source: Own presentation.

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