



## RICARDO MOURINHO FELIX

Vice-President and Member  
of the Management Committee,  
European Investment Bank (EIB)

### Challenges and Opportunities of the new Recovery and Resilience Facility

The European Union's (EU) package for supporting the recovery of a European economy devastated by the coronavirus crisis is a very bold step. It is totally unprecedented.

The Recovery and Resilience Facility (RRF) will contribute to the EU's economic recovery, supporting productive public investment and the implementation of structural reforms. Despite being a temporary policy, the RRF impact should be a permanent one and will contribute to an increase in productivity and to sustainable growth prospects.

Governments and companies have the duty to seize this opportunity to change gears and foster a greener, smarter and more resilient economy for the EU citizens. A more inclusive economy with lower inequality and ready for the forthcoming challenges, leaving no one behind. This is an imperative!

The COVID-19 crisis led to an extraordinary financial support to the economy by EU governments, in the context of temporary waivers of the State Aid rules, and by central banks. These support schemes have taken the form of public guarantee schemes, debt moratoria and direct support to some firms via outright state aid. Central banks expanded their balance sheets further through asset purchase programmes ensuring the maintenance of liquidity, and micro- and macro-prudential supervisory rules for banks were temporarily loosened.

While this support has been crucial to keep the economy afloat, it has invigorated a debate on whether such policies are appropriately targeted at economically viable firms hardly hit by the crisis, or if their broad base may induce the risk of some "zombification" of the European economy.

Resources are scarce, so any support to the economy should be targeted at viable companies. Lending and supporting non-viable companies on the back of public guarantees erodes the public purse, artificially preserves firms with no future and retains their workers, instead of putting their productive capacity at the service of viable value-added projects. Support to companies should never be a substitute for unemployment insurance schemes, which were long ago designed to ensure a better job matching. Schumpeterian creative destruction is a critical part of a sound and competitive internal market and key for a green and smart recovery that boosts productivity, growth and

generates well-being for our citizens. The RRF opens up new opportunities to leverage the scarce public resources. Achieving an effective and efficient allocation of resources is of the essence, and it is intrinsically linked to several factors.

Firstly, the rigorous selection of the most productive public investment projects and an effective implementation of reforms will determine the overall economic impact of the RRF.

Secondly, the successful combination of the conventional EU programmes, as Cohesion policy, and the RRF and the institutional and administrative capacity of the Member States to put in place high impact projects quickly. Thirdly, additionality. The RRF funds must enable the deployment of investment projects that would not be possible to deploy otherwise. If RRF grants are simply used to finance investment that already has other funding sources or to crowd out private investment, then the RRF will simply be a missed opportunity.

The RRF Regulation provides the opportunity to deploy and use resources through financial instruments. Financial instruments increase the overall impact of the resources, thus fully unleashing the growth potential of the EU economy above pre-crisis levels.

The extensive experience of the EIB Group in delivering financial instruments and our technical assistance platforms can act as important levers for Member States to evaluate investment needs, assess barriers and setup the most adequate financial instruments. The advisory capacity of the EIB can support the design and the development of funds and financial instruments under RRF, including national recovery funds or the implementation of financial instruments through the national compartment of the Invest EU.

The EIB stands ready to provide its support, its expertise and its capacity to governments and companies that want to fully seize the opportunities of the new RRF. As the EU bank, we stand together with the other EU institutions to deliver on the Union policy priorities to grant citizens a future of Freedom, Solidarity and Prosperity.