

# COVID-19: both a challenge and an opportunity for democracy



The global pandemic has not only challenged our health and economy, but our democracies. As the world took emergency measures to address the crisis, concerns began to emerge that some countries might take advantage of the situation to roll back civil and human rights. Coronavirus is also highlighting and aggravating structural inequalities – from inadequate health systems to social protection gaps, digital divides and unequal access to education; from environmental degradation to racial discrimination and violence against women – that are themselves threats to democracy. Yet, crisis can also be an opportunity to move ahead.

“Across the world, people continue to demonstrate, often at great personal risk, their desire for democracy. From Hong Kong to Lebanon, Belarus to Sudan, behind the headlines and numbers are brave and courageous people from all backgrounds. We pay tribute to them and share their commitment to democracy”, reads the statement jointly issued by the HR/VP Josep Borrell and Commissioner Šuica to mark the date.

Measures to control the flow of information, restrictions on freedom of expression and press freedom, persecution of political opponents, journalists, doctors and healthcare workers, activists and others for allegedly spreading “fake news”, aggressive cyber-policing and increased online surveillance, postponement of elections... Since the beginning of the COVID-19 crisis, many countries have used the emergency as a justification to restrict democratic processes and the civic space.

“This is especially dangerous in places where democracy’s roots are shallow

and institutional checks and balances are weak”, UN Secretary-General António Guterres stated. “As the world confronts COVID-19, democracy is crucial in ensuring the free flow of information, participation in decision-making and accountability for the response to the pandemic”.

People wait in a line at a polling station as they prepare to cast their vote during the Sri Lankan Parliament election 2020.

The pandemic has come accompanied by a global infodemic that poses a direct threat to one of the pillars of democracy: the right to access truthful information. “While new opportunities for political participation have emerged, we witness the far-reaching impact of new forms of manipulation of information and electoral and democratic processes, intensified by digital technology and social media”, reads the EU Joint Statement.

The European Union has recently renewed its commitment to the defence of democracy worldwide. The new [‘Action Plan Human on Rights and Democracy 2020-2024’](#) sets out the European ambitions and identifies priorities for concrete external action for the years to come. In 2019, cooperation projects in support of democracy amounted to €147 million in 37 countries.

In parallel, the EU is also working on a [European Democracy Action Plan](#) that will make proposals to address the challenges to the integrity of European elections, as well as to reinforce media freedom and tackle the impact of online disinformation within the EU borders.

COVID-19 has brought some EU’s shortcomings to the surface. At the same time, it has given us a chance to strengthen our democracy and give Europeans a greater say in EU decision-making. This is the spirit of the [‘Conference on the Future of Europe’](#), which will bring together citizens, in particular young people, civil society and European institutions, this autumn to discuss and decide how to give Europeans a stronger voice in our Union. The only answer to difficult times is always more democracy.

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## [Press release – EP TODAY](#)



### **Russia/Belarus/Lebanon/Mediterranean**

In a series of debates starting at 9.15 with EU Foreign Policy Chief Josep Borrell, MEPs will comment on the situation in Russia and the poisoning of Alexei Navalny, on Belarus, Lebanon and on the upcoming Special EU summit, focussing on the dangerous escalation of tensions and the role of Turkey in the Eastern Mediterranean.

Resolutions on Russia, Belarus and the Eastern Mediterranean will be put to the vote on Thursday.

Watch the debate live on Parliament's [Multimedia Centre](#) and on [EbS+](#)

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### **COVID-19 tests/risk classification**

MEPs will debate from 14.30 to 15.30 the lack of coordination regarding COVID-19 health assessments and risk classification and its consequences for the Schengen area. They are set to call for a common EU approach. A resolution will be put to the vote on Thursday.

Watch the debate live on Parliament's [Multimedia Centre](#) and on [EbS+](#).

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**In brief**

Ahead of Wednesday's debate on the **State of the European Union**, lead MEPs will discuss the European Union's priorities and react to questions and ideas from citizens. Find more details [here](#).

The live event from 16.00 to 18.00 will be webstreamed [here](#), as well as on [EbS](#).

## Votes

The **first voting session** lasts from 10.30 to 11.45, with results announced at 14.15.

MEPs will vote on amendments on

- a **Union Civil Protection Mechanism** (final vote Wednesday)
- the European Union's system of **own resources** (final vote Wednesday)
- the Implementation of the **EU Association Agreement with Georgia** (final vote Wednesday).

The **second voting session** lasts from 17.00 to 18.15 with results announced the next morning at 9.00.

MEPs will vote, among other things, on

- the EU's role in protecting and **restoring the world's forests** (final vote)
- the **EU-African security cooperation** in the Sahel region, West Africa and the Horn of Africa (final vote)
- Type approval of motor vehicles/**Real Driving Emissions** (vote on amendments, final vote Wednesday)
- Establishing the **Just Transition Fund** (vote on amendments, final vote Wednesday)
- **Arms export** (vote on amendments, final vote Wednesday).

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## [European Commission's State of the Union 2020 – Teaser & Explainer](#)



On 16 September, the European Commission President Ursula von der Leyen will, in her first State of the Union speech, share her vision for a stronger Europe and a better world after the pandemic.

## State of the Union – teaser

Click on CC for subtitles in your language.

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Every year in September, the President of the European Commission delivers the State of the Union address before the European Parliament. Get familiar with this key moment of democracy.

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## State of the Union explained

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Click on English for subtitles in your language.□□

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**Fabio Panetta: Healing after the pandemic: supporting and sustaining the recovery**



SPEECH

## **Speech by Fabio Panetta, Member of the Executive Board of the ECB, at the 24th Economist Roundtable with the Government of Greece**

15 September 2020

Thank you for inviting me today to discuss the response to the coronavirus (COVID-19) crisis, with a particular focus on Greece.

The pandemic has caused significant disruption and hardship in nearly every aspect of our lives, and it will take time to heal the damage that has been done.

The euro area economy has been severely hit. Today I will argue that while Europe has responded to a major challenge, it is not out of the woods yet. In Greece, European and domestic policies have together played a crucial role in absorbing the shock, but further efforts will be needed.

At the same time and as Hippocrates, the father of medicine, once said: “Healing is a matter of time, but it is sometimes also a matter of opportunity”. Europe – and Greece in particular – now have such an opportunity. Next Generation EU offers a unique chance to use European funds to recover from the crisis, supported by national policies. If used well, it will not only help the Greek economy to heal after the pandemic: it can also strengthen the country’s growth potential in the medium term.

**Europe has responded to a major challenge, but is**

## **not out of the woods yet**

The extraordinary nature of the pandemic shock called for an equally extraordinary policy response from the ECB. We therefore launched the pandemic emergency purchase programme, which includes Greek government bonds, to significantly ease our monetary policy stance and stabilise markets.

It was imperative to protect the economy from the risk of financial collapse. We therefore eased the conditions under which we provide liquidity to banks and strengthened the incentives to expand bank lending to the real economy. We also eased collateral rules – importantly for Greece, we temporarily waived the minimum requirements to accept Greek sovereign debt instruments as collateral for central bank operations.

Our policy package has stabilised markets and is supporting economic activity, after the collapse in the first part of the year. Our prompt actions have prevented a financial meltdown and stemmed financial fragmentation within the euro area. By successfully countering a tightening in financing conditions, our measures have supported the growth and inflation outlook.

The inclusion of Greek government bonds in our pandemic emergency purchase programme has helped to stabilise financing conditions in Greece. Interest rate spreads have dropped markedly, with clear positive spillovers in the Greek financial markets and banking system. The yield spread between ten-year Greek government bonds and equivalent German government bonds has declined by around 250 basis points since the start of our pandemic emergency purchase programme.

But we are not there yet.

The latest ECB staff projections foresee a contraction in euro area real GDP of 8.0% this year; economic activity is expected to return to growth in the following two years but to recover to pre-crisis levels only by the end of 2022. Inflation will remain subdued: over the projection horizon it is expected to stay uncomfortably below our aim.

This outlook is clouded by persistently high uncertainty. The risk of a deterioration in labour market conditions weighs on household consumption, while balance sheet vulnerabilities may affect credit supply and reduce business investment. Indeed, momentum in the services sector, which remains vulnerable to the resurgence in COVID-19 cases because it is more affected by social distancing, has recently slowed somewhat. Overall, the balance of risks remains on the downside.

The results achieved by our monetary policy measures are remarkable, but they are not fully satisfactory yet, as price pressures and inflation expectations are expected to remain subdued. In light of the current outlook for inflation, we need to remain vigilant and carefully assess incoming information, including exchange rate developments. It is necessary to maintain very favourable liquidity conditions and an ample degree of monetary accommodation for an extended period of time, and in any case for as long as

necessary. The Governing Council continues to stand ready to adjust all of its instruments, as appropriate, to ensure that inflation moves towards its aim in a sustained manner.

At the same time, other policies – notably fiscal policy and structural policies – will have to play a crucial role at both national and European level.

## **In Greece, national and EU policies have together played a crucial role in absorbing the shock, but further efforts will be needed**

Greece responded rapidly and effectively in containing the pandemic, but the containment measures are inevitably taking a toll on the Greek economy.

While this crisis is not country-specific, in Greece it has added to existing fragilities. Greece's financial sector remains heavily burdened by non-performing loans (NPLs) and is thus constrained in its ability to support the recovery.

Greek national policies aimed at ensuring access to finance for businesses include direct lending from the state (repayable advances) and two schemes implemented by the Hellenic Development Bank – a guarantee scheme and a co-financed interest subsidy scheme for new corporate loans. These are expected to reach an overall loan volume of about €13 billion, or 7.7% of GDP. They come on top of the broader fiscal package in response to the pandemic, including interest subsidies for existing performing loans, bonds and bank overdrafts, reductions and deferrals of tax and social contributions, and labour market support measures.

So far, the ECB's policy measures and the relevant Greek policies have supported bank lending to corporates, which has increased substantially, while credit standards have remained broadly stable. A large net flow of loans – above €1 billion – was registered in July, supported in particular by the guarantee scheme of the Hellenic Development Bank.

At the same time, Greek small and medium-sized enterprises continue to have serious concerns about their lack of access to financing. Their financing gap remains high, despite the increased availability of bank loans and the decline in interest rates. In order to underpin the recovery, policy support remains necessary to safeguard the continued supply of credit.

Looking ahead, it is essential to complete the financial sector reforms needed to support the process of NPL reduction and guarantee an adequate supply of credit during the recovery. These reforms include improving the e-auctions framework, revising the insolvency framework, reducing the backlog of pending personal insolvency cases before the courts, and clearing called state guarantees on bank loans.

# **The funding provided by Next Generation EU is an opportunity for Greece**

The funding from Next Generation EU creates an extraordinary opportunity.

For the first time in history, the European Union will issue common debt to counter a common shock. This will bring fiscal policy more in tune with monetary policy at the European level, and may represent an important step for European integration: we borrow together to recover from the crisis and to invest in our future.

All EU countries will benefit from this common response. But to be effective, European measures require careful planning and decisive action at the national level.

In time, the need to buffer the immediate impact of the pandemic will be replaced by the need for investment and reform to support a sustainable recovery. As the national support measures are phased out, a well-planned and coordinated approach will be necessary if we want to avoid cliff effects. Policies will have to find the right balance to achieve the twin goals of stabilisation and modernisation.

Particularly in the case of Greece, the significant resources that are expected to be provided by Next Generation EU represent an opportunity to strengthen the country's growth potential. These resources should be channelled into much needed growth-enhancing and job-creating investment projects and should be accompanied by a continuation of the ongoing reform process.

## **Conclusions**

Let me conclude. Europe has responded to a major challenge, but is not out of the woods yet. The ECB's Governing Council stands ready to adjust all of its policies, depending on incoming data, in order to bring inflation in line with its medium-term aim. At the same time, European and Greek national policies must continue to play their crucial role in absorbing the shock, supporting the recovery and achieving sustainable growth.

Next Generation EU offers a great opportunity for Greece. Together with strong national policies, it may lay the foundations for a Greek economy that will create jobs and prosperity.

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## **[Afghanistan: Phone call between High](#)**

## Representative/Vice-President



On Monday 14 September, Josep Borell, EU High Representative for Foreign Affairs and Security Policy/Vice-President of the European Commission, spoke by telephone with Ashraf Ghani, the President of the Islamic Republic of Afghanistan.

The High Representative welcomed the [launch of the direct Intra-Afghan Negotiations](#) between the Government of Afghanistan and the Taliban movement in Doha on 12 September. The High Representative praised the constructive approach demonstrated by the Afghan government that enabled the launch of negotiations to take place. He stressed his hope that the launch could be the opening of a much-needed and long overdue peaceful chapter for Afghanistan. He reiterated that this peace process must be inclusive and preserve and build on the political, economic and social achievements of the citizens of Afghanistan since 2001, including women's rights. The European Union stands ready to support the process.

The High Representative/Vice-President and President Ghani discussed the security situation in Afghanistan. The High Representative recalled that the still unacceptably high level of violence in Afghanistan contradicts the spirit of a meaningful peace process and renewed his call to the parties to accompany the start of the peace talks with an immediate, comprehensive, nationwide and unconditional ceasefire.

The High Representative/Vice-President stressed the EU's readiness to remain engaged and to fulfil its political commitments towards the people of Afghanistan on their path towards peace, security, stability and self-reliance. However, the EU's future political, diplomatic and financial support is not unconditional and will depend on political progress and the peace process.