

COVID-19 pandemic - Structured Engagement with Industry

Digital Europe Executive Covid-19 Advisory Group

1/ Objectives:

- Understand the needs of the digital eco-system in Europe
- Get the stronger actors to commit to help the enterprises and employees most hit by the crisis

Scene setter:

Digital Europe presented on March 19 a long list of short and long-term recommendations (see background). The main ones in the short term:

- Keep existing public tenders open and launch as many new tenders as possible, reviewing contractual obligations to allow SMEs to participate.
- Give flexibility on state aid rules.
- Establish an online platform to promote remote working and education tools to SMEs and schools.
- Delay certain new ICT product compliance obligations, which will be difficult to meet because of factory closures and disruptions to supply chains.
- Give further clarity on GDPR compliance for handling employee and customer data.

In the long term:

- Launch a big stimulus package to support the digital transformation of sectors such as health, environment, transport, agriculture and tourism.
- Redesign the EU budget and concentrate on digital education, cybersecurity, health, environment and digitalisation of SMEs and key industries.
- Help SMEs getting online.
- Accelerate investment in the European Gigabit Society targets.
- Adopt legislation to facilitate remote operations and activities (e.g. rights for employees, implementation of digital signatures).
- Accelerate the implementation of a common European data space for health.
- Ensure interoperability of Electronic Health Records.

2/ Running order

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NA

3/ Key messages / LTT

- The Commission is using all the instruments at its disposal to mitigate the consequences of the pandemic. The Commission is ready to provide financial support to accompany the industry and we are doing so already.
- In this crisis, it is of utmost importance to make sure that the Single Market functions. The Commission is working on a continuous basis with Member states to ensure unhindered flow of goods.
- In addition to the urgent measures needed to counter the immediate consequences of the pandemic, the reflection is underway to prepare for the future.
- In that context, the digital transformation of our societies and economies will be a crucial element of Europe's economic response to COVID19.
- The Digital Europe Programme and the Connecting Europe Facility with Member State co-funding, will be part of the EU's response in the health sector, start-ups and SMEs, eGovernment services including education, digital skills, trust and security and technological sovereignty.

4/ Questions to the interlocutor(s)

Digital Europe's analysis of the sector is presented in the background.

1. Impact on production/provision of services/etc.

What is the most urgent problem you have to face? What are the particular obstacles faced? Do you have plans to facilitate teleworking?

2. Assessment of measures

What EU level actions are needed - short-term - long term? Do you see a need for national policy coordination? Is there a need for a 'regulatory holiday' or relaxation of rules? What should the EU or Member States do to help your industry recover swiftly once the pandemic is over? Is there a need for a redesign of the MFF?

3. Conversion of activities towards COVID-19 mitigation

What is the most urgent problem you have to face? What are the particular obstacles faced?

5/ Defensives (based on questions received so far from the industry)

Role of the Digital Europe Programme (DEP) in fighting COVID19

- The health sector relies on High Performance Computing (HPC) and Artificial Intelligence (AI) to process big data, for example to help find a vaccine and for simulations and forecasts on germ progression.
- Digital Europe supports the build-up of European health data pools, the underpinning cloud infrastructure and testing and experimentation facilities (TEF) of digital solutions for deployment across the EU.
- Funds also support the adoption of the European Health Record (EHR) exchange format and the roll out of the eHealth Digital Service (e.g. to support new domains such as lab tests, medical images, hospital discharge report).

What is the support envisioned for SMEs?

- SMEs represent over 99% of all businesses in Europe, yet only one out of five SMEs in the EU are highly digitised. Those that are digitalised are better able to weather the crisis, as noted by DIGITAL EUROPE.
- In terms of support to companies, we have put in place a multipronged strategy to counter the economic impact of the coronavirus pandemic, addressing specifically the needs of SMEs. The strategy provides for the use of the full flexibility of the fiscal and state aid frameworks. The EU budget will deploy its existing instruments to provide liquidity support, in addition to national measures.
- For example, the Commission has adopted investment initiatives worth EUR 37 billion with the objective of supporting the health sector, mitigating the impact on the labour market and supporting SMEs in all relevant sectors. EUR 1 billion from the EU budget will be reallocated as a guarantee to the European Investment Fund to encourage banks to provide liquidity to SMEs and mid-caps. This measure will allow at least 100 000 of them access to funding amounting to around EUR 8 billion.
- The Enterprise Europe Network (EEN) and the SME Envoy Network have been activated to help SMEs respond to the crisis, giving practical support and information.

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- In addition, the Commission is currently reviewing which policy measures from the new SME Strategy have relevance for the current situation and could be put in place faster.
- In the longer term, European Digital Innovation Hubs (EDIH), supported by the Digital Europe programme, will help ensure that every company, small or large, high-tech or not, can grasp the digital opportunities. EDIHs act as one-stop-shops where companies especially SMEs, start-ups and mid-caps can get access to technology-testing, financing advice, market intelligence and networking opportunities

Flexibility on State aid rules

- The Commission has already approved more than fifty notified measures related to the crisis, several within 24 hours after notification.
- The Commission adopted, on 19 March, a “Temporary Framework” allowing Member States to provide certain types of aid to ‘digital’ and ‘non digital’ companies, including schemes to grant up to €800,000 to a company to address its urgent liquidity needs, state guarantees for loans or subsidised public loans to companies.
- The Temporary Framework has already been amended once and will likely be amended again, illustrating that the Commission shows a high degree of flexibility regarding the application of the State aid rules under the current circumstances.
- The activation of the general escape clause of the EU fiscal framework will also allow for national discretionary stimulus.
- In addition, the Commission is planning a number of public consultations on existing rules in the field of State aid.

What is the EU planning to do in Digital Skills and Education?

- Short-term actions:
 - The Digital Skills and Jobs Coalition has launched a dedicated call for pledges to provide immediate solutions to support digital skills. In 2 weeks, 36 organisations have already submitted their commitments.
 - The EU Code Week community is supporting teachers transitioning to remote teaching by organising regular Coding from home webinars. The 4th webinar will take place at the end of April.

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- In Q3 2020, DG Connect will set up the European Digital Skills and Jobs Platform. It will be a one-stop-shop that will showcase actions on digital skills from all Commission services and the Member States via their National Digital Skills and Jobs coalition.
- Erasmus and the European Social Fund will invest more in digital activities for students, schools, educators and citizens in general and the Digital Europe Programme will boost specialised training activities for digital specialists to train and attract the best talents.
- The new Digital Education Action Plan will support MS and the education community in the phase of economic recovery.

Interoperability of Health Records

- The Commission adopted a Recommendation on a European Electronic Health Record exchange format. It is crucial that it is evenly implemented across European countries, to unlock the flow of health data across borders.
- The promotion of the use of Electronic Health Records based on a common European exchange format, and the creation of a European Health Data Space (envisaged from 2022) are key actions put forward in the Digital Strategy of February 2020 and in the Commission Communication “A European strategy for data”. The Commission looks forward to work more on these issues with the eHealth Stakeholder Group.

What can the Commission do to accelerate investment in the deployment of digital infrastructure from very high capacity fixed broadband to 5G?

- In addition to the possibility for Member States to devote regional funds to these areas and the support from the InvestEU Fund, the Commission has proposed the Digital Europe Programme and the new Connecting Europe Facility (CEF2).
- With national co-funding, the CEF2 Digital proposed EUR 2bn budget for Gigabit connectivity for socio-economic drivers would trigger investments in Member States between EUR 2.6bn and EUR 6.6bn.
- The other EUR 1bn is planned for 5G corridors along transport corridors to deploy seamless 5G coverage along at least 8000 km of difficult cross-border sections, stimulating private investments to cover a full pan-European corridor network of 26000 km.

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- CEF2 Digital will also support critical terabit connectivity between infrastructures of strategic importance such as cloud and data infrastructure, or high performance computing.
- CEF2 Digital also includes the possibility to connect remote areas and islands with 5G or submarine cables.
- Finally, CEF 2 Digital can contribute significantly to financial instruments, noticeably by shifting the amount of risk between investors (e.g., contribution to a first-loss piece) in the respective instrument.

As we are likely to face compliance issues, will the Commission adjust regulatory deadlines for the acts that will be applicable or will enter into force in the coming months?

- I have instructed my services to make a thorough analysis of all the upcoming regulatory deadlines and of their adequacy under the current circumstances. Your input will be appreciated in this respect.

What is done to ensure that the Single Market is functioning and impact on supply chains minimised?

- Our objective is clear: to ensure that everyone has access to the goods they need. For this, we need to make strategic use of intermediaries such as industrial clusters, chambers of commerce, trade associations, and other networks that are able to reach quickly the expertise and skills of groups of specialised firms, technology providers, fablabs and community makers (3D printing). They can help to match their offers with demand from health care providers and regional authorities for instance, and to find solutions to supply chain disruptions, especially for SMEs. In addition to measures that have already been taken and the regular monitoring done by the Commission, the Commission has established the Single Market Enforcement Task-Force jointly with the Member States, as announced on 10 March, with the aim to strengthen cooperation on the enforcement of Single Market rules

6/ Background information on sector specificities

1. **SHORT OVERVIEW:**

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DIGITALEUROPE is the leading trade association representing digitally transforming industries in Europe. They stand for a regulatory environment that enables European businesses and citizens to prosper from digital technologies. Their membership represents over 35,000 businesses who operate and invest in Europe. It includes 71 corporations which are global leaders in their field of activity, as well as 40 national trade associations from across Europe. Members include Intel, Amazon, Google, Huawei, SAP, Siemens, and associations like Afnum or BitKom.

How the sector is being affected (Digital Europe members)

- Companies with a large share of revenue coming from online sales are less hit by the crisis.
- Companies with employees who can work digitally are less hit by the crisis in the short term.
- Factory closures in China, Italy and now elsewhere are having a huge knock-on effect on hardware supply chains.
- There is a huge degree of uncertainty in the market, demand has been depressed and there are no new contracts.
- There is a lot of confusion about what happens to contracts unfulfilled due to Coronavirus: are liabilities still valid or is this per se *force majeure*?
- There have been few layoffs and bankruptcies yet, compared to some other sectors, although this is expected to change. SMEs have been hit the hardest.
- Many of the national emergency packages are targeted towards low-paid jobs and not medium-sized tech companies. This might lead to brain-drain from tech SMEs and will hamper European competitiveness and the number of successful European scale-ups.
- There remain several important barriers to working remotely:
 - Connectivity issues: our fixed and mobile networks are being stretched and many people do not have access to high-speed internet at all.
 - Restricted trade in goods is affecting supply chains of critical hardware for remote working, like laptops, monitors and printers.
 - ICT shops are closed, reducing the availability of essential equipment.
 - Maintenance workers critical for upkeep of remote working tools are affected by new travel restrictions.
 - Security restrictions, such as in banks or aerospace sectors
- Issues with supply chains and factories closing are leading to fears about meeting new compliance deadlines.
- There will be issues meeting European Commission deadlines for consultations.
- Companies are struggling with handling employee and customer data to respond to, and control, the spread of the virus in a way that complies with the data protection laws, and this might lead to further spread.

Full list of proposed measures

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Short term:

- Launch a special investment plan for innovative small and medium-sized tech companies in key sectors, enabling them to retain talent and create the basis for Europe's competitiveness post-crisis.
- Keep existing public tenders open and launch as many new tenders as possible, reviewing contractual obligations to allow SMEs to participate, e.g. through fast-track application forms or dividing into smaller projects with less risk and liability.
- Add remote working devices, e.g. printers, laptops, monitors etc., to the list of essential goods exempt from border controls.
- Create a dedicated European Innovation Council (EIC) Accelerator call open until end-April to help innovative SMEs and start-ups to develop tech solutions to tackle the COVID-19 outbreak.
- Keep ICT and electronics stores open during lockdowns to allow access to essential remote working tools.
- Give flexibility on state aid rules.
- Establish an online platform to promote remote working and education tools to SMEs and schools.
- Exempt ICT professionals essential for the maintenance of remote working equipment from the travel bans.
- Delay certain new ICT product compliance obligations, which will be difficult to meet because of factory closures and disruptions to supply chains.
- Give further clarity on GDPR compliance for handling employee and customer data in order to respond to the spread of the virus.
- Give clarity on use of contractual force majeure and those unable to meet contractual obligations due to Coronavirus.
- Delay the closing of ongoing European Commission and EU agency consultations to give stakeholders adequate time to respond.

Medium/long term:

- Launch a big stimulus package to support the digital transformation of sectors such as health, environment, transport, agriculture and tourism.
- Redesign the EU budget so that it will support recovery from the crisis and redirect spending to areas that will give Europe a high return on investment: digital education, cybersecurity, health, environment and digitalisation of SMEs and key industries.
- Help SMEs getting online, for instance using e-commerce to increase their robustness and competitiveness.
- Invest in digital educational platforms, allowing teachers to do their job remotely as well as across European borders, and invest in educating teachers to use these tools and platforms.

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- Accelerate investment in the European Gigabit Society targets, speeding up measures to facilitate deployment of digital infrastructure from very high-capacity fixed broadband to 5G.
- Adopt legislation to facilitate remote operations and activities. This could include EU rights for employees to work from home and further the implementation of digital signatures so that more contracts can be signed remotely.
- Accelerate the implementation of a common European data space for health so that data essential for tracking and fighting the disease can be shared between the public sector, researchers and private companies whilst maintaining strong security and data protection safeguards.
- Ensure interoperability of Electronic Health Records and boost investment in AI in the health sector.

2. KEY EU POLICY ACTIONS RELEVANT FOR THE SECTOR:

eHealth Policy

- The Commission has adopted a Recommendation on a European Electronic Health Record exchange format; it is crucial that it is evenly implemented across European countries, to unlock the flow of health data across borders.
- It is key that health authorities are engaged in the run up to the European Health Data Space. The amount of data already available on COVID-19, if pooled and used, could make a difference in our understanding of the disease and of the optimal treatment for each patient. Going beyond the immediate tackling of the COVID-19 crisis, the European Health Data Space can contribute improving the general resilience and efficiency of health systems. For example, it could enable teleconsultations and telemonitoring, facilitating people with underlying conditions to receive medical follow-up at home.
- The promotion of the use of Electronic Health Records based on a common European exchange format, and the creation of a European Health Data Space (envisaged from 2022) are key actions put forward in the Digital Strategy of February 2020 and in the Commission Communication “A European strategy for data”. The Commission looks forward to work more on these issues with the eHealth Stakeholder Group.
- On 8 April 2020, the Commission adopted a Recommendation on a common Union toolbox for the use of technology and data to combat and exit from the COVID-19 crisis, in particular concerning mobile applications and the use of anonymised mobility data. The Recommendation sets out a process towards the adoption with the Member States of a Toolbox, which first priority is a pan-European approach for COVID-19 mobile applications.