



**European Council**  
Cabinet of the President

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# The 17-21 Special Meeting of the European Council

A historic deal in exceptional times to tackle the socio-economic consequences of the COVID-19 pandemic

# Key elements of the deal

- EUR 1074bn Multiannual Financial Framework
- EUR 750bn Recovery Fund (grants: 390bn; loans: 360bn)
- Own Resources Decision: Union borrowing to finance grants to Member States

# The genesis of a historic deal: March

- 21/2: *lockdown in Lombardy*
  - **10/3: European Council: first crisis visioconference**
  - 13/3: *ESM proposal: Pandemic Crisis Support*
  - 15/3: *EIB proposal pan-EU Guarantee Fund*
  - **17/3 European Council: first reference to 'coronabonds'**
  - 18/3 *ECB Pandemic Purchase Programme*
  - 20/3 **Commission: General Escape Clause**
  - **26/3 European Council: 'coronabonds debate'**
- President Charles Michel convened European Council early on
  - All EU institutions lived up to their mandate: proactive mood
  - EU policy response: fundamental red lines revealed early on in the process
  - Collective awareness of magnitude of economic shock

# The genesis of a historic deal: April-May

- 2/4: Commission: Temporary Support to mitigate Unemployment Risks in an Emergency (SURE)
- 9/4: Eurogroup agreement on ESM PCS (EUR 240bn), EIB PEGF (200bn), SURE (100bn)
- **23/4: European Council: agreement on PEC & COM exit and recovery strategy, 3 safety nets and need for recovery fund; tasked the Commision**
- 18/5: Franco-German proposal for 500bn recovery fund (grants)
- 27/5: Commission proposal on recovery fund (grants: 500bn; loans: 250bn)
  - Continued involvement of European Council
  - Intense policy discussions contributed to evolution of positions
  - Moving away from acrimonious debate towards concrete proposals

# The genesis of a historic deal: June-July

- 4/6: *ECB increased PEPP by EUR 600bn*
- **19/6: European Council: first discussion on MFF and Recovery Fund**
- **10/7: PEC proposal: MFF (1074bn) & Recovery Fund (grants: 500bn; loans: 250bn)**
- **17-21/7: European Council. Deal!**
  - Intense consultations ahead of July European Council
  - 4-day historic meeting with day&night negotiations
  - Overall size of Recovery Fund (=750bn) and MFF (=1074bn) preserved
  - Grants (390bn) and loans (360bn)



# Main elements in the negotiation process

## Different assessments of the magnitude of the crisis and its consequences

- Economic and financial developments
- Objective needs assessment by COM and ECB
- Shared assessment essential for agreement

**Leaders' common understanding on need for a recovery fund was reached on 23 April**



# Main elements in the negotiation process

## Size of the recovery fund and balance between loans and grants

- Unprecedented size of the recovery package
- Grants (e.g., cohesion policy) and loans (e.g., financial assistance) are Union standard instruments
- But borrowing for spending is groundbreaking

# Main elements in the negotiation process

## Governance and conditionality

- Union policies vs financial assistance
- Qualified Majority vs unanimity
- Institutional balance: Commission vs Council

# Economic significance of agreement

- EU fiscal response of macroeconomic significance
- Monetary policy no longer the only game in town
- Union borrowing for transforming Europe's economies



# Conclusion

- Historic agreement that will feature in future books on European integration
- European Union: key for all its Member States
- One further major step in the process of European integration