

Covid-19: the EU plan for the economic recovery

The EU is preparing massive investments to support people and businesses as Europe battles a deep economic recession due to the Covid-19 outbreak.



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On 27 May the European Commission presented in Parliament a €750 billion economic stimulus plan that along with a revised proposal for the EU's 2021-2027 budget should help mitigate the shock from the coronavirus pandemic and pave the way for a sustainable future.

Parliament and Council negotiators [reached an agreement on 10 November](#) on the [EU's long-term budget](#) that includes a legally binding roadmap for the introduction of new sources of budget revenue and paved the way for the implementation of the plan. [MEPs approved it](#) on 16 December.

Next generation EU: the Commission's recovery plan

On 27 May Commission President Ursula von der Leyen unveiled the [Next Generation EU recovery plan](#) that aims to address the damage caused by the pandemic and invest in a green, digital, social and more resilient EU.

Under the proposal, the Commission would borrow the money on the financial markets using its high credit rating, which should secure low borrowing costs. The Commission's plan envisaged that €500 billion would be distributed in grants, however EU leaders cut the level of grants to €390 billion at their summit on 17-21 July.

The funds will be used to reach the EU's objectives of [climate neutrality](#) and [digital transformation](#), to offer social and employment support as well as to reinforce the EU's role as a global player.

The money will be channelled through existing and new EU instruments. The biggest among them will be the new [Recovery and Resilience Facility](#) that will make €672.5 billion available in loans and grants to support reforms and investments by member states.

Parliament and Council will decide as co-legislators on the rules governing the different instruments used to implement the plan.

The agreement reached includes a provision for the proper budgetary oversight of the borrowed funds under the recovery plan. Parliament, Council and the Commission will meet regularly to assess the implementation of funds and Parliament, together with Council, will check any deviation from previously agreed plans.



EU budget

https://multimedia.europarl.europa.eu/en/a-stronger-budget-to-get-europe-back-on-its-feet_N01-AFPS-201117-MFFR_ev

Link with long-term budget and rule of law

The Commission's plan for the recovery fund was introduced during the plenary session in May together with a revised proposal for the EU's 2021-2027 budget amounting to €1.1 trillion. EU leaders reduced the proposed budget to €1.074 trillion at their summit on 17-21 July.

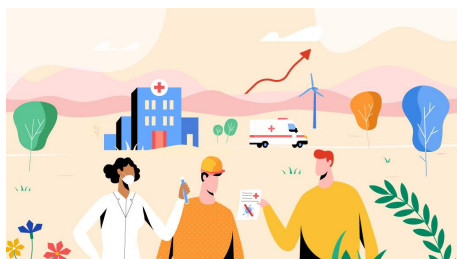
In the subsequent negotiations with the Council, MEPs secured an increase in the overall budget ceiling by €11 billion. This, combined with a further €4 billion made available through reallocations and the use of the budget margins, provides an additional €15 billion for key EU programmes in areas such as health, research and young people.

Parliament has been concerned that the recovery plan borrowing could increase the debt burden on future generations, so has been calling for [new sources of revenue](#). In the budget negotiations, Parliament and Council agreed on a calendar for the introduction of new income sources to repay the debt, including a financial transaction tax, a digital levy and taxes on companies that pollute.

The decision on the recovery plan borrowing requires unanimity in the Council and ratification by each member state. Parliament, which has a consultative role in this procedure, [gave its green light on 16 September](#).

The file is also linked to the establishment of a mechanism that allows the suspension of budget payments to a member state found to be in breach of the rule of law. Parliament and Council [reached an agreement](#) on the introduction of such a link on 5 November. [MEPs adopted the legislation](#) on 16 December.

Check out what the EU is doing to help Europe's [economic recovery from the coronavirus pandemic](#)



Preparing for a post-Covid Europe

https://multimedia.europarl.europa.eu/en/what-s-the-eu-s-plan-to-help-europe-recover-from-the-covid-19-crisis_B01-ESN-20201123_ev

Grim economic forecasts

The [economic forecasts](#), presented by the Commission in November, show the economy has taken a hard hit because of the health crisis. As people have stayed at home and entire sectors have abruptly shut down for months, the EU economy is facing the prospect of contraction of over 7% in 2020, which is significantly worse than the fall in 2009.

Everyone is affected: many people fear they might lose their jobs and are unwilling to spend, while businesses are facing disruptions in their supply chains. Governments see tax revenue falling and welfare expenditure increasing, which will bring budget deficits, higher levels of debt and drive up borrowing costs.

Find out [what the EU is doing to fight the Covid-19 crisis](#) and check out [a timeline of the adopted measures](#).