



# THE EUROPEAN UNION'S FINANCIAL CONTRIBUTION TO THE RESPONSE TO THE COVID-19 CRISIS: AN OVERVIEW OF EXISTING MECHANISMS, PROPOSALS UNDER DISCUSSION AND OPEN ISSUES

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**ABSTRACT:** This *Insight* contains an overview of the measures through which EU institutions and organs financially contribute to the response to the Covid-19 crisis. Measures address direct support to public health and to humanitarian aid, research, and economic and social consequences of the crisis. The response is the most diverse, as it includes monetary policy measures (the ECB's Pandemic Emergency Purchase Programme, PEPP), a new European Investment Bank (EIB) Guarantee Fund, measures financed by the EU budget 2020 (Coronavirus Response Investment Initiative, Coronavirus Response Investment Initiative Plus) and the innovative Support to mitigate Unemployment Risks in an Emergency (SURE). Other measures are under discussion: new amendments to the 2020 budget, new external action measures and, most notably, the recovery plan Next Generation EU and a new Commission proposal for the 2021-2027 Multiannual Financial Framework (MFF). Four mechanisms rely on fresh additional resources: the EIB Guarantee Fund, SURE, Next Generation EU and the PEPP, with specific political and legal difficulties for each mechanism. Expenditure relies on a complex interplay of grants, loans and guarantees available in different time frames, which makes it difficult to assess the EU's financial ability to tackle inequalities created by the Covid-19 crisis. Externally, EU measures partly fit in financing schemes at the global level regarding public health and research, but not yet on economic issues, where further action can be expected.

**KEYWORDS:** COVID-19 and the EU – pandemic emergency purchase programme – EU budget – European Investment Bank – next generation EU – external action.

## I. INTRODUCTION

The Covid-19 crisis poses an unprecedented challenge to the European Union's financial mechanisms. On the one hand, the rapid progression of the pandemic has required quick

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adaptation within the existing budgetary and financial framework. On the other hand, the traditional EU budget alone, even combined with other existing EU-related mechanisms, is manifestly insufficient to tackle the economic and social consequences of the Covid-19 sanitary crises. This situation encourages innovative solutions that can build on previous, often frustrated projects. In spite (or because) of the abundance of information, it is not easy to keep track of all relevant measures. The Union was relatively slow to mobilize big amounts of financial resources in the early stages of the crisis, at least compared to States. Nonetheless, its financial response has become more and more detailed and complex over the weeks, both from the financial and from the legal point of view. Complexity is unsurprising given the nature of the crisis and the applicable rules and procedures, and it is certainly too early to fully take stock of all measures, even focusing on specific instruments. For example, the European Court of Auditors (ECA) has revised its 2020 work programme today to shift the focus of its work towards Covid-19-related aspects<sup>1</sup> and has issued an opinion on the upgraded Emergency Support Instrument,<sup>2</sup> but has not yet attempted a general scrutiny of adopted measures. However, an overall assessment of the EU's financial response is impossible without starting from a synthetic presentation of all relevant measures. Moreover, it is useful to identify the main trends and open legal issues, which are likely to become crucial in the next months and years. This *Insight* contains an overview of the relevant measures and of proposals under discussion. Only programmes involving expenditure by EU institutions and organs, explicitly established or modified to cope with the Covid-19 crisis, will be analysed.

## II. NEW OR UPGRADED FINANCIAL MECHANISMS

Following the presentation by EU institutions, financial mechanisms introduced to cope with the Covid-19 crisis perform three general functions: direct support to public health and humanitarian aid (II.1), support to scientific research and pandemic preparedness (II.2) and economic and social response (II.3).

### II.1. DIRECT SUPPORT TO PUBLIC HEALTH AND HUMANITARIAN AID

Announced by the Commission since March 2020, several EU measures to directly support public health were financed in the budget 2020 (Table 1). Joint procurement of medical and protective equipment, framed by Art. 5 of Decision 1082/2013/EU of the European Parliament and of the Council of 22 October 2013 on serious cross-border threats to health, was also used between 8 April and 7 May for a total amount of €3,247

<sup>1</sup> ECA, 2020 Work Programme - COVID-19 update and revision, 28 May 2020.

<sup>2</sup> ECA Opinion no. 3/2020 of 8 May 2020 on amending EU regulation for the European Structural and Investments Funds' use in response to the COVID-19 outbreak. The ECA gives a positive opinion, but partly because of the exceptional circumstances.

million. The goods were purchased by Member States with their resources, while the Commission had a coordinating role.<sup>3</sup>

## II.2. RESEARCH AND PANDEMIC PREPAREDNESS

EU research programmes especially funded to fight against the Covid-19 pandemic are seen as part of the global initiative on pandemic preparedness and response launched by G20 leaders on 26 March 2020.<sup>4</sup> The EU's Coronavirus Global Response includes a pledging marathon open on 4 May and concluded by a Global Pledging Summit on 27 June.<sup>5</sup> The overall aim of the initiative is to facilitate universal access to Covid-19 treatments, tests and vaccines, with several funding recipients: the Coalition for Epidemic Preparedness Innovation (CEPI), for vaccines; the Global Alliance for Vaccines and Immunization (GAVI), for vaccine deployment; Therapeutics Accelerator, for therapeutics; UNITAID, for therapeutics deployment; the Foundation for Innovative New Diagnostics, for diagnostics; the Global Fund for diagnostics deployment; the World Health Organization, for health systems. €15.9 billion pledges were raised, far beyond the initial objective of €7.5 billion. Until early June, €1.4 billion was pledged by the Commission and €1,997 million by the European Investment Bank (EIB). On 27 June, the Commission and the EIB pledged an additional €4.9 billion in loans and guarantees to "support the world's most fragile economies in recovering from coronavirus and achieving the Sustainable Development Goals".<sup>6</sup> Adding pledges by EU and EEA Member States, the total amount of "Team Europe" pledges reaches €11.9 billion. The remaining pledges come from other States and private persons (foundations, corporations and individuals).

Not all elements of EU pledges are clear. As to the Commission, €300 million were pledged on 4 June to GAVI for the period 2021-2025.<sup>7</sup> A significant part of the first pledges (€1 billion) is channelled through Horizon 2020, the financial programme for research and innovation within the 2014-2020 MFF,<sup>8</sup> based on Art. 173, para. 3, TFEU (Industry) and Art. 182, para. 1, TFEU (Research and technological development). Amounts for already funded initiatives were mainly redeployed within Horizon 2020, so that they did not require legislative action (Table 2). Other pledges (€469.1 in total) should be financed in the same

<sup>3</sup> European Commission, *Coronavirus Response - Public Health*, ec.europa.eu.

<sup>4</sup> G20 Leaders' Statement of 26 March 2020, g20.org, p. 2.

<sup>5</sup> European Commission, *Coronavirus Global Response*, global-response.europa.eu.

<sup>6</sup> [https://ec.europa.eu/commission/presscorner/detail/en/qanda\\_20\\_1216](https://ec.europa.eu/commission/presscorner/detail/en/qanda_20_1216).

<sup>7</sup> European Commission, press release of 15 June 2020, *Coronavirus Global Response: European Commission pledges 300 million to Gavi*, eeas.europa.eu.

<sup>8</sup> Regulation (EU) 1291/2013 of 11 December 2013 of the European Parliament and of the Council establishing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) and repealing Decision No 1982/2006/EC.

way in the coming months (Table 3).<sup>9</sup> The pledges made on 27 June seem to include a part of the measures announced in the communication on the Global EU response to Covid-19 of 8 April. In particular, €2,858 million should be devoted to improving research, health and water systems in non-EU countries, through reoriented existing funds and programmes, including the EU budget, the European Development Fund and the EIB. An example of the financed measures is the strengthening of regional health security organisations in African, Caribbean and Pacific countries, such as the Pasteur Institute in Senegal. However, to reach an amount of €4.9 billion, the EU's pledges must include funding not only for research and pandemic preparedness, but also a part of the announced external action short-term emergency and economic measures.

### II.3. ECONOMIC AND SOCIAL MEASURES

The EU's economic reaction to the Covid-19 crisis is multi-layered. From the substantial point of view, not all economic measures have direct financial implications for the EU. Some measures have no direct budgetary implications at all, such as the Commission's guidance on foreign direct investment screening.<sup>10</sup> Others have a direct and very significant impact on the Member States' financial response to the crisis, but do not rely on EU expenditure. The most notable examples are the Temporary Framework for State aid, based on Art. 107, para. 3, let. b), TFEU,<sup>11</sup> and the activation of the general escape clause of the Stability and Growth Pact.<sup>12</sup> Also thanks to these EU measures, Member States have adopted a massive, although disparate, budgetary response to the Covid-19, including fiscal stimulus and liquidity support measures, estimated to be worth

<sup>9</sup> European Commission, EU funding – Funding initiatives helping to tackle the outbreak of Coronavirus, [ec.europa.eu](http://ec.europa.eu).

<sup>10</sup> Communication C(2020) 1981 final of 25 March 2020 from the Commission, Guidance to the Member States concerning foreign direct investment and free movement of capital from third countries, and the protection of Europe's strategic assets, ahead of the application of Regulation (EU) 2019/452 (FDI Screening Regulation). See S. ROBERT-CUENDET, *Filtrage des investissements directs étrangers dans l'UE et COVID-19: vers une politique commune d'investissement fondée sur la sécurité de l'Union*, in *European Papers - European Forum*, Insight of 13 June 2020, [www.europeanpapers.eu](http://www.europeanpapers.eu).

<sup>11</sup> Communication C(2020) 1863 final of 19 March 2020 from the Commission, Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak; Communication C(2020) 2215 final of 3 April 2020 from the Commission, Amendment to the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak; Communication C/2020/3156 of 13 May 2020 from the Commission, Amendment to the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak. The Commission regularly updates the list of approved measures: [ec.europa.eu](http://ec.europa.eu).

<sup>12</sup> Communication COM(2020) 123 final of 20 March 2020; Statement of EU ministers of finance on the Stability and Growth Pact in light of the COVID-19 crisis, 23 March 2020. The general escape clause was introduced by the "Six pack" in 2011 (Arts 5, para. 1, and 9, para. 1, of Regulation (EC) 1466/97 and Arts 3, para. 5, and 5, para. 2, of Regulation (EC) 1467/97).

about 20% of EU GDP,<sup>13</sup> i.e. around €2,800 trillion.<sup>14</sup> The European Stability Mechanism, established in 2012 by Eurozone States as a separate international organisation on the basis of their economic policy competence, also contributes to the European financial response to the Covid-19 crisis. The newly established Pandemic Crisis Support (PCS), although based on existing norms applicable to the Enhanced Conditions Credit Line, allows very light conditionality. The ESM does not distribute grants, but PCS credits are available up to 2% of the GDP of each Member to support domestic financing of direct and indirect healthcare, cure and prevention-related costs due to the Covid-19 crisis, with very low interest rates and fees.<sup>15</sup> No State has requested financial assistance under the PCS yet, but requests may be made until 31 December 2022. Although it is very unlikely that all Eurozone States request assistance, the theoretical total amount of credits is around €240 billion, while the current ESM lending capacity is €410.1 billion.<sup>16</sup> These figures show that the European financial response to the Covid-19 crisis mainly corresponds to Member States expenditures, even if EU law plays an essential role in policy coordination. From the chronological point of view, different measures were proposed or announced over time, to be applied in different time frames. While some have already been adopted (a), others are still under discussion (b).

a) Adopted measures.

Although not immediate, the ECB's intervention was quickly effective. The Pandemic Emergency Purchase Programme (PEPP) was announced on 18 March 2020 and, given its size, still constitutes the main single element of the EU's financial response to the Covid-19 crisis (Table 4). Following the European Council video conference of 10 March, the Commission's communication of 13 March "Coordinated economic response to the Covid-19 Outbreak"<sup>17</sup> paved the way to a first package of measures. As clarified in the following European Council video conferences of 17 March, 26 March<sup>18</sup> and 23 April,<sup>19</sup> this package includes EU secondary law acts, the ESM Pandemic Crisis Support and the EIB Guarantee Fund. The total announced amount is €540 billion, but this figure also

<sup>13</sup> EIB, COVID-19 economic update – 10 June 2020, [www.eib.org](http://www.eib.org).

<sup>14</sup> In 2019, the EU-27 GDP in current prices was €13,928 trillion (Eurostat: [ec.europa.eu](http://ec.europa.eu)).

<sup>15</sup> Eurogroup Statement on the Pandemic Crisis Support, 8 May 2020; Summary of decisions of ESM Board of Governors meeting, 15 May 2020.

<sup>16</sup> European Stability Mechanism, *What's the ESM's lending capacity?*, [www.esm.europa.eu](http://www.esm.europa.eu).

<sup>17</sup> Communication COM(2020) 112 final of 13 March 2020 from the Commission, Coordinated economic response to the Covid-19 outbreak.

<sup>18</sup> Joint statement of the Members of the European Council, 26 March 2020.

<sup>19</sup> Conclusions of the President of the European Council following the video conference of the members of the European Council of 23 April 2020. Eurogroup video conferences were held on 16 March, 24 March, 7 April, 8 April, 9 April, 8 May, 15 May and 11 June 2020. The most important outcomes were the Report on the comprehensive economic policy response to the COVID-19 pandemic (9 April 2020) and the Eurogroup Statement on the Pandemic Crisis Support (8 May 2020).

includes Member States funding or private capitals made available thanks to new or upgraded programmes (Table 5).

*b) Measures under discussion.*

The most far-reaching measures are still under discussion. Apart from proposals for significant amends to the budget 2020, this package of measures includes a sizeable and innovative proposal: the Commission's recovery plan "Next Generation EU".<sup>20</sup> While the video conference of the European Council of 19 June 2020 was inconclusive, an agreement in principle could be reached in July under the German presidency of the EU Council. The final outcome is deeply linked with negotiations for the 2021-2027 multiannual financial framework. With these measures, the EU's financial response to the Covid-19 crisis enters a new phase, focused on medium-term implications (Table 6). Economic and social measures under discussion also have an external dimension, which appears to be mainly based on Arts 208 and 209 TFEU (Development cooperation), Arts 212 and 213 TFEU (Economic, financial and technical cooperation with third countries) and Arts 308 and 309 TFEU (EIB). Following the approach set in the communication on the Global EU response to Covid-19 of 8 April, these measures are conceived as a part of a broader "Team Europe" package, whose total announced amount is almost €36 billion (Table 7).<sup>21</sup>

### III. TRENDS AND OPEN ISSUES

Given the great variety of relevant measures, first of all it is necessary to determine to what extent the EU's financial response relies on new resources and how they will be collected (III.1). Secondly, the most important programmes raise delicate issues of distribution of expenditure within the EU, potentially reshaping financial and political solidarity among Member States in the medium and long term (III.2). Thirdly, although the external dimension is quantitatively secondary as compared to the internal dimension, the need of a global economic response to the Covid-19 crisis will probably encourage further action in the future (III.3).

#### III.1. RESOURCES: HOW MUCH FRESH MONEY AND WHERE WILL IT COME FROM?

Understandably, in the first phase of the Covid-19 crises, the focus has been on mobilising available funds and redirecting them towards new priorities: several programmes have been financed through unallocated or unspent available funds. As a consequence, the upgrading of some existing programmes was not based on new commitments. When new commitments were inserted in the budget 2020, they generally resulted from funds redirection. The Coronavirus Response Investment Initiative Plus exhausted all available forms of flexibility within the commitment ceilings of the 2014-2020 MFF.

<sup>20</sup> See the reading references of the Council library of 19 June 2020, [www.consilium.europa.eu](http://www.consilium.europa.eu).

<sup>21</sup> European Union External Action Service, *Stronger together against Covid-19*, [eeas.europa.eu](http://eeas.europa.eu).

Thus, more recent Commission proposals aim first of all at using the full potential of the EU budget though higher commitment ceilings of the MFF for 2020. However, the Commission's proposals do not include a higher own resources ceiling in 2020: this issue seems to be reserved for the 2021-2027 MFF. All in all, only four initiatives rely on supplementary resources for the EU: the EIB Group Guarantee Fund, in the form of guarantees by Member States; SURE, in the form of borrowing guaranteed by Member States; Next Generation EU, in the form of borrowing guaranteed by higher own resources and ECB programmes, inasmuch monetary policy implies "new" resources.

These instruments are the most controversial. Although uncontroversial as such, the EIB Group Guarantee Fund raises the question of possible further use of EIB resources in the next months. However, according to Art. 16 of the Statute, the aggregate amount outstanding of loans and guarantees granted by the EIB shall not exceed 250% of its subscribed capital, reserves, non-allocated provisions and profit and loss account surplus. At the end of 2019, €447.5 billion loans had been disbursed and €112.7 billion loans were to be disbursed, with a subscribed capital of €243.3 billion<sup>22</sup> (230% ratio). This means that a new massive package of loans and guarantees would require a capital increase by the Board of Governors, like in 2013 (€10 billion, fully paid-in).<sup>23</sup> A capital increase might prove politically difficult, due to the financial situation of several Member States. Moreover, the 27 Member States already contributed to EIB capital at the beginning of 2020 to replace the United Kingdom's share of 39.2 billion (of which €3.5 billion paid-in).<sup>24</sup>

The first comments on SURE have praised the novel lack of conditionality of loans to Member States,<sup>25</sup> but have also highlighted room for possible legal challenges to the EU's involvement as a borrower, to the chosen legal basis (Art. 122 TFEU instead of the flexibility clause of Art. 352 TFEU) and to the compliance with the no bail-out clause of Art. 125 TFEU.<sup>26</sup> The Next Generation EU proposal is still subject to intense political negotiations, as it opened three Pandora boxes, each with great potential<sup>27</sup> but never massively combined yet: upgraded own resources, EU debt and grants to Member States. Disagreements start to emerge also on legal issues. Some raise the spectre of *ultra vires* action by the EU, denouncing an excessive shift in the understanding of Art. 310 TFEU (seen not just

<sup>22</sup> EIB, *Financial Report 2019*, 5 May 2020, p. 4.

<sup>23</sup> EIB, press release of 8 January 2013, *EIB capital increase approved by all 27 EU member states*, [www.eib.org](http://www.eib.org).

<sup>24</sup> EIB, press release of 31 January 2020, *EIB President regrets Brexit and welcomes EU 27 united support for EIB Group*, [www.eib.org](http://www.eib.org). Moreover, Romania and Poland contributed additional capital.

<sup>25</sup> F. COSTAMAGNA, *La proposta della Commissione di uno strumento contro la disoccupazione generata dalla pandemia Covid-19 ('SURE'): un passo nella giusta direzione, ma che da solo non basta*, in *SIDIBlog*, 5 April 2020, [www.sidiblog.org](http://www.sidiblog.org).

<sup>26</sup> M. RUFFERT, *Are we SURE?*, in *Verfassungsblog*, 5 April 2020, [verfassungsblog.de](http://verfassungsblog.de).

<sup>27</sup> E.g., see the Communication COM(2017) 358 of 28 June 2017 from the Commission, Reflection paper on the future of EU finances; Communication COM(2018) 325 final of 2 May 2018 from the Commission, Proposal for a COUNCIL DECISION on the system of Own Resources of the European Union.

as the source of an obligation of budgetary balance, but as “prohibiting the EU from borrowing to finance its expenditure”), a violation of the “principle of sound financial management” in the name of a permanent “state of emergency”, and a problematic relationship with Art. 125 TFEU.<sup>28</sup> Others consider that the proposal reflects a lawful and welcome evolution in the understanding of the TFEU, but criticise the conditionality of grants and loans, as well as the limited role of the European Parliament.<sup>29</sup>

The ECB’s PEPP has attracted even more attention, especially in the wake of the *Weiss* decision of the Bundesverfassungsgericht of 5 May 2020.<sup>30</sup> Although dealing with the ECB’s Public sector asset purchase programme (PSPP) implemented since March 2015, this decision will arguably have broader implications under EU and national constitutional law, probably including litigation on some aspects of the PEPP. Although several scholars consider that the programme is lawful,<sup>31</sup> some underline that it can be even more problematic than the PSPP,<sup>32</sup> and others suggest that ECB should communicate more clearly on the programme’s proportionality.<sup>33</sup> In any event, for the time being the Governing Council of the ECB plays a crucial role in adapting the programme to the evolution of the economic context, as its decisions are adopted by majority vote under Arts 10, para. 2, and 10, para. 3, of the Statute of the European System of Central Banks and of the ECB. The PEPP is mobilising more “fresh” resources than all other EU financial programmes, especially in the light of its relatively short duration. Beyond the monetary policy implications of this programme, which is just the latest example of non-standard monetary policy in the Eurozone and elsewhere, this should encourage a broader reflection on the ECB’s (and other central banks’) accountability and interaction with other institutions.

### III.2. EXPENDITURE: FOR WHOM AND WHEN?

In spite of the ubiquitous nature of the Covid-19 pandemic, the crisis turned out to be an asymmetric shock in sanitary and economic terms, as not all Member States have been equally affected. Moreover, not all Member States have been equally able to react

<sup>28</sup> P. LEINO-SANDBERG, *Who is ultra vires now? The EU’s legal U-turn in interpreting Article 310 TFEU*, in *Verfassungsblog*, 18 June 2020, [verfassungsblog.de](http://verfassungsblog.de), explaining both the position of the Constitutional Law Committee of the Finnish Parliament and the author’s own views.

<sup>29</sup> F. COSTAMAGNA, M. GOLDMANN, *Constitutional Innovation, Democratic Stagnation? The EU Recovery Plan*, in *Verfassungsblog*, 30 May 2020, [verfassungsblog.de](http://verfassungsblog.de).

<sup>30</sup> 2 BvR 859/15, 2 BvR 1651/15, 2 BvR 2006/15, 2 BvR 980/16 of 5 May 2020. E.g., see A. VITERBO, *The PSPP Judgment of the German Federal Constitutional Court: Throwing Sand in the Wheels of the European Central Bank*, in *European Papers - European Forum, Insight* of 26 June 2020, [www.europeanpapers.eu](http://www.europeanpapers.eu), and a series of articles on *Verfassungsblog* ([verfassungsblog.de](http://verfassungsblog.de)).

<sup>31</sup> R. SMITS, *The European Central Bank’s pandemic bazooka: mandate fulfilment in extraordinary times*, in *EU Law Live*, 23 March 2020, [eulawlive.com](http://eulawlive.com).

<sup>32</sup> L. LIONELLO, *La BCE nella tempesta della crisi sanitaria*, in *SIDIBlog*, 28 March 2020, [www.sidiblog.org](http://www.sidiblog.org).

<sup>33</sup> S. GRUND, *The Legality of the European Central Bank’s Pandemic Emergency Purchase Programme*, *De-lors Institute Policy Brief*, 25 March 2020, [papers.ssrn.com](http://papers.ssrn.com).



through their own means, even within the additional scope of manoeuvre left for national budgetary response. The risk of growing inequalities does not only apply between Member States, but also between enterprises and households, as shown by the disparate pattern of Member States measures within the Temporary Framework for State aid. The EU's financial response to the Covid-19 crisis has been diverse, as it includes grants, loans and guarantees. As usual for EU programmes and funds, co-financing with Member States is common and several mechanisms aim at leveraging much bigger amounts of private capitals. The Commission estimated that the €540 billion first package of economic and social measures will mobilise investments for €1,290 billion, and that Next Generation EU and the 2021-2027 MFF should generate investments for €3.1 trillion.<sup>34</sup> However, also due to the complexity and diversity of the relevant mechanisms, it will not be easy to find a fully satisfactory overall balance in terms of distributive justice.<sup>35</sup> Difficulties do not only regard funding by the EU budget, but also ECB programmes, especially because the PEPP only takes the capital key of the national central banks as a benchmark, and not as a strict criterion.

Questions also arise as to the time frame in which a new state of equilibrium should be reached. The variety of the duration of EU financial programmes has made clear that the Covid-19 crisis has set in motion a transition into a "new normal" whose length and final outcome are difficult to predict at this stage. With the notable exception of the ECB, the rapidity with which measures were adopted has been inversely proportional to their amount. Moreover, programmes have different durations, ranging from limited one-shot expenses included in the EU budget 2020 to the Next Generation EU proposal, which implies repaying funds borrowed by the EU (and collecting necessary own resources) until 2058. In the long run, temporary solutions can become permanent: perhaps, some of the recent measures will be retrospectively seen as incremental steps towards the strengthening of EU policies. Interestingly, several of the upgraded mechanisms are recent (non-standard monetary policy measures, Emergency Support Instrument, European Fund for Strategic Investments, RescEU), or at least relatively recent (Union Civil Protection Mechanism, European Centre for Disease Prevention and Control).

At the same time, the short term may not be as short as expected. Political announcements have insisted on the EU's quick reaction. However, in several cases payments scheduled for 2020 are significantly lower than commitments, even for measures inspired by urgency, like in the field of direct support to health and research. This means that payments should partly occur beyond 2020, irrespectively of the evolution of the pandemic as such. For medium-term programmes, one may wonder whether

<sup>34</sup> Communication COM(2020) 442 final of 27 May 2020 from the Commission, The EU budget powering the recovery plan for Europe, p. 1-2.

<sup>35</sup> For an economic analysis of the Next Generation EU proposal, Z. DARVAS, *The EU's recovery fund proposals: crisis relief with massive redistribution*, in *Bruegel Blog*, 17 June 2020, [www.bruegel.org](http://www.bruegel.org).

payments will always be timely enough, at least compared to the perception of economic urgency associated with the novelty of some mechanisms. In particular, just a minority of the funds of the proposed Next Generation EU initiative should be spent before 2022. This shows that the link between these programmes and the Covid-19 pandemic is only indirect: what is actually at stake is the long-term balance in the distribution of EU funds. For example, the proposed distribution key for the new Recovery and Resilience Facility is based on criteria that are largely unrelated to the pandemic (population, inverse of per capita GDP and relative unemployment rate, calculated over the past 5 years and compared to the EU average).

### III.3. WHAT FINANCIAL CONTRIBUTION TO THE INTERNATIONAL ECONOMIC RESPONSE TO THE COVID-19 CRISIS?

The fields in which EU measures have displayed the biggest effort to fit in financing schemes at the global level are public health and research. This choice is consistent with the EU's value, with the very nature of the Covid-19 pandemic and with the wish to make future vaccines and treatments available worldwide. Interestingly, public health, humanitarian aid and research expenditure announced at the internal level and in the framework of external action are comparable, even if the latter does not imply new commitments. The EU's attempt to contribute to a coherent global response deserve praise, especially in comparison to the broad global and European trend of uncoordinated public health reactions.

Regarding economic and social aspects of the global response to the Covid-19 crisis, the EU has already announced some financial contributions, through the "Global EU response to COVID-19" communication and proposals for specific measures for the Western Balkans and neighbourhood partners. However, international cooperation in this field has still been limited, especially at the multilateral level. Like for the 2008 financial crisis, the G20 has aimed at playing an informal coordination role. Apart from calling for "bold and large-scale fiscal support" and for global cooperation, in financial terms both the G20 leaders' statement of 26 March 2020<sup>36</sup> and the G20 finance ministers and central bank governors of 15 April<sup>37</sup> mainly acknowledged existing measures. The former underlined that G20 countries were going to inject over \$5 trillion into the global economy; the latter insisted *inter alia* on the considerable IMF lending capacity (\$1 trillion, so far confronted with demands from 102 countries, for a total amount around \$100 billion)<sup>38</sup> and on the non-negligible measures adopted by multilateral development banks for emerging and low-income countries (\$200 billion).

<sup>36</sup> G20 leaders' statement of 26 March 2020, cit.

<sup>37</sup> G20, Virtual meeting of the G20 finance ministers and central bank governors of 15 April 2020, [www.g20.utoronto.ca](http://www.g20.utoronto.ca).

<sup>38</sup> IMF, *The IMF's response to Covid-19*, [www.imf.org](http://www.imf.org).

However, the G20 Action Plan – Supporting the Global Economy Through the COVID-19 Pandemic, annexed to communiqué of the G20 finance ministers and central bank governors of 15 April, also shows room for possible future developments and of possible EU involvement. After the 2008 financial crisis, the G20 promoted the improvement of IMF resources, which were of \$250 at the beginning of the crisis.<sup>39</sup> G20 leaders “stand ready to strengthen the global financial safety nets”, but the G20 Action Plan seems to adopt a “business as usual” approach to this issue, at it simply aims at “revisiting the adequacy of quotas and continuing the process of IMF governance reform under the 16<sup>th</sup> General Review of Quotas, including a new quota formula as a guide, by 15 December 2023”. Nonetheless, the General Review of Quotas promises to be of major importance. For the EU, this could be an opportunity to streamline the representation of the Eurozone at the IMF Board of Directors, a long-time objective that has not been achieved yet.<sup>40</sup>

Another area where the EU can play a role in the future is debt relief for least developed countries. The G20 Action Plan supports a time-bound suspension of debt service payments<sup>41</sup> and calls upon contributions to the IMF Poverty Reduction and Growth Trust and Catastrophe Containment and Relief Trust, which are instrumental to debt relief. Debt relief for some African countries, although not yet tackled in official declarations,<sup>42</sup> is under discussion within the EU, in cooperation with the IMF.<sup>43</sup> Beyond coordinating initiatives by Member States, the EU could play a direct role as a creditor and as a donor, as it has done since the 1996 IMF-World Bank Heavily Indebted Poor Countries initiative.<sup>44</sup> Even beyond debt relief, the Covid-19 crisis could lead to more cooperation and joint programmes between the EU and international financial institutions, as already shown in proposals regarding the Western Balkans and neighbourhood partners. In spite of the context of manifest international tension, further action at the international level is to be expected. Coherence between EU internal measures and its contribution to global trends through external action will be important to ensure a harmonious recovery from the Covid-19 crisis, in a context where the EU will be trying to update its own economic and social model.

<sup>39</sup> G20 leaders, London Declaration of 2 April 2009, paras 5 and 17; Cannes Final Declaration of 4 November 2011, para. 13.

<sup>40</sup> See Communication COM(2015) 603 of 21 October 2015 from the Commission, Proposal for a Council Decision laying down measures in view of progressively establishing unified representation of the euro area in the International Monetary Fund.

<sup>41</sup> On 13 April 2020, the IMF had granted a suspension of IMF debt obligations of 25 countries: [www.imf.org](http://www.imf.org).

<sup>42</sup> Joint declaration of 28 April 2020 of the members of the European Council with the Member States of the G5 Sahel.

<sup>43</sup> D.M. HERSZENHORN, *EU leaders to discuss debt relief for Africa*, in *Politico.eu*, 28 April 2020, [www.politico.eu](http://www.politico.eu).

<sup>44</sup> Communication COM(1999) 518 final of 26 October 1999 from the Commission, EU participation in the debt relief initiative for highly indebted poor countries.

Programme	Commitments	New Legal Acts	Legal Framework	Substantive Treaty Legal Basis	Content	Member States Co-financing
<b>RescEU</b>	€70 million (€40 million payments) <sup>45</sup>	Commission Implementing Decision (EU) 2020/452 of 26 March 2020 amending Implementing Decision (EU) 2019/570 as regards capacities established to respond to low probability risks with a high impact; Definitive adoption (EU, Euratom) 2020/536 of Amending budget No 1 of the European Union for the financial year 2020, 21 April 2020, title 23	RescEU is a reserve of resources at EU level created in 2019 within the upgraded EU Civil Protection Mechanism <sup>46</sup>	Art. 196 TFEU (Civil protection)	Stockpile of medical equipment available at EU level	Joint procurement (90% co-financing from the EU budget)
<b>Union Civil Protection Mechanism (in third countries)</b>	€45 million (no payments) <sup>47</sup>	Definitive adoption (EU, Euratom) 2020/536 of Amending budget No 1 of the European Union for the financial year 2020, 21 April 2020, title 23	The Union Civil Protection Mechanism was established in 2001 <sup>48</sup>	Art. 196 TFEU (Civil protection)	Repatriation flights of EU citizens	EU grants to Member States
<b>European Centre for Disease Prevention and Control</b>	€3.6 million (€3.6 million payments) <sup>49</sup>	Definitive adoption (EU, Euratom) 2020/536 of Amending budget No 1 of the European Union for the financial year 2020, 21 April 2020, title 17	The European Centre for Disease Prevention and Control was established in 2004 as a EU agency <sup>50</sup>	Art. 168 TFEU (Public Health)	Capacity increase (equipment and contractual agents)	EU agency

<sup>45</sup> Moreover, €10 million was redeployed to medical equipment from the existing UCPCM/rescEU budget 2020.

<sup>46</sup> Decision (EU) 2019/420 of the European Parliament and of the Council of 13 March 2019 amending Decision No 1313/2013/EU on a Union Civil Protection Mechanism.

<sup>47</sup> Funds temporarily transferred from the humanitarian aid instrument (commitment appropriations to be reinstated later in 2020).

<sup>48</sup> Council Decision 2001/792/EC, Euratom of 23 October 2001 establishing a Community mechanism to facilitate reinforced cooperation in civil protection assistance interventions.

<sup>49</sup> Financed through redeployment, by reducing the allocations for measures aimed at eradication of animal diseases by around 2%.

<sup>50</sup> Regulation (EC) No 851/2004 of the European Parliament and of the Council of 21 April 2004 establishing a European Centre for Disease Prevention and Control.

Programme	Commitments	New Legal Acts	Legal Framework	Substantive Treaty Legal Basis	Content	Member States Co-financing
<b>Emergency Support Instrument</b>	€2.7 billion (€1.38 million payments)	Council Regulation (EU) 2020/521 of 14 April 2020 activating the emergency support under Regulation (EU) 2016/369, and amending its provisions taking into account the COVID-19 outbreak; Definitive adoption (EU, Euratom) 2020/537 of Amending budget No 2 of the European Union for the financial year 2020, 21 April 2020, title 18	Upgraded version of the 2016 original ESI <sup>51</sup>	Art. 122, para. 1, TFEU (Economic Policy)	Temporary reinforcement of the medical workforce, deployment of temporary healthcare facilities, medical products, medical tests, etc., from 1 February 2020 to 31 January 2022.	Procurement by the Commission alone, with Member States, or on behalf of Member States
<b>Urgent, short-term emergency response to the health crisis and the resulting humanitarian needs (external action)</b>	No new commitments: €502 million from existing funds and programmes <sup>52</sup>	Announcement: Communication on the Global EU response to COVID-19, JOIN(2020) 11 final, 8 April 2020	Reorientation of existing funds and programmes, including the EU budget, the European Development Fund and the EIB	External action	Various actions in different countries, partly in the framework of the WHO Strategic Preparedness and Response Plan, the UN Global Humanitarian Response Plan launched on 25 March 2020 and the appeal of the Red Cross and Red Crescent Movement launched on 26 March 2020	Includes grants, guarantees and loans

TABLE 1. Direct Support to Public Health and Humanitarian Aid

<sup>51</sup> Council Regulation (EU) 2016/369 of 15 March 2016 on the provision of emergency support within the Union.

<sup>52</sup> Moreover, some EU mechanisms, such as the Union Civil Protection Mechanism and the European Centre for Disease Prevention and Control, provided assistance to non-EU countries.

Commitments	Content	Month
€48.2 million	Emergency Call for Expression of Interest (18 projects to develop diagnostics, treatments, vaccines and preparedness for epidemics) <sup>53</sup>	January-March
€72 million <sup>54</sup>	Innovative Medicines Initiative (8 projects on diagnostics and treatments) <sup>55</sup>	March
€129,45 million	ERAsCorona Action Plan (Second call for Expression of Interests) <sup>56</sup>	May-June
€150 million <sup>57</sup>	European Innovation Council Accelerator pilot (Start-ups and SMEs) <sup>58</sup>	April
€25,25 million	European and Developing Countries Clinical Trials Partnership (3 calls for projects to increase research capacities in sub-Saharan Africa) <sup>59</sup>	April
€6 million	European Institute of Innovation and Technology (Health 2020 COVID-19 Rapid Response Call and Extension for Headstart Call)	April
€50 million (financed) + €50 million (in the final approval process)	Coalition of Epidemic Preparedness Innovation <sup>60</sup>	In progress

TABLE 2. Research (Adopted Pledges)

<sup>53</sup> Request for expressions of interest, Advancing knowledge for the clinical and public health response to the 2019-nCoV epidemic, 30 January 2020.

<sup>54</sup> As part of the IMI public-private partnership, the pharmaceutical industry, IMI Associated Partners and other organisations will contribute an additional €45 million, bringing the total funding to €117 million.

<sup>55</sup> Development of therapeutics and diagnostics combatting coronavirus infections, 3 March 2020.

<sup>56</sup> 2nd special call for Expression of Interest to respond to coronavirus - Information session, 20 May 2020.

<sup>57</sup> Out of a total €165.63 million call for proposals.

<sup>58</sup> European Commission, press release of 30 April 2020, Additional 150 million for the European Innovation Council to fund breakthrough ideas tackling coronavirus, ec.europa.eu.

<sup>59</sup> European Commission, press release of 8 April 2020, EU and Africa step up research cooperation to combat coronavirus outbreak, ec.europa.eu.

<sup>60</sup> CEPI is a non-profit association of Norwegian law launched in 2017, also funded by States and by private persons, such as the Bill and Melinda Gates Foundation and the Wellcome Trust.

Commitments	Content
€400.1 million <sup>61</sup>	Reinforcement of InnovFin Infection Diseases Financial Facility
€50 million	Societal Challenge 1 (Health) Extension activities COVID-19 related projects, including clinical trials
€1.5 million	Infrastructure and Data sharing (EU COVID-19 platform)
€3.5 million	Leadership in Enabling and Industrial Technologies – Information & Communication Technologies; Support for the deployment of innovative robotics solutions in healthcare

TABLE 3. Research (Other Pledges)

Programme	Amount	Announcement	New legal acts	Legal framework	Substantive Treaty legal basis	Content	Duration
<b>Pandemic Emergency Purchase Programme (PEPP)</b>	€1,350 billion <sup>62</sup> (€750 billion announced on 18 March 2020 + €600 announced on 4 June 2020)	Press release of 18 March <sup>63</sup>	Decision (EU) 2020/440 of the European Central Bank of 24 March 2020 on a temporary pandemic emergency purchase programme (ECB/2020/17); Press release of 4 June 2020 <sup>64</sup>	Open market operations (non-standard monetary policy measures)	Art. 127, para. 2, TFEU (ESCB tasks); Art. 3, para. 1, (ESCB tasks) and Art. 18, para. 1, (Open market and credit operations) of the Statute of the ESCB and of the ECB	Purchase of private and public securities. The benchmark allocation across jurisdictions is the capital key of the national central banks, but purchases are conducted in a flexible manner	31 December 2020 (March 2020); at least until 30 June 2021 (June 2020)

Table 4. ECB Measures

<sup>61</sup> €80 million already allocated, €250 million of reflows, €20 million of remaining available budget already committed under the IDFF, €50.1 million from internal redeployment.

<sup>62</sup> Moreover, an additional amount of €120 billion was included in the Corporate sector purchase program (CSPP) until the end of 2020 (Press conference of 12 March 2020, <<https://www.ecb.europa.eu/press/pressconf/2020/html/ecb.is200312-f857a21b6c.en.html>>). The CSPP has been implemented since June 2016.

<sup>63</sup> ECB, press release of 18 March 2020, ECB announces €750 billion pandemic emergency purchase programme (PEPP), [www.ecb.europa.eu](http://www.ecb.europa.eu).

<sup>64</sup> ECB, press release of 4 June 2020, Monetary policy decisions, [www.ecb.europa.eu](http://www.ecb.europa.eu).

Programme	Commitments	Content	First official proposal	New legal acts	Legal framework	Substantive Treaty legal basis	Duration
<b>Coronavirus Response Investment Initiative</b>	€37 billion (real-located, no new commitments) <sup>65</sup>	Flexibility in applying EU spending rules to provide immediate liquidity. 1. Relinquishment of the Commission's obligation to request refunding of unspent pre-financing for EU structural and investment funds already held by Member States (€8 billion). €29 billion co-financing from the EU budget can be combined with these funds. 2. Allocation of unallocated structural funds from 2014-2020 national envelopes (€28 billion). 3. €1 billion guarantee to the European Investment Fund, so it can provide guarantees worth €2.2 billion to financial intermediaries. This should allow raising €8 billion in all to help at least 100,000 companies SMEs. 4. Extended scope of the	Coordinated economic response to the COVID-19 Outbreak, 13 March, COM(2020) 112 final	1 and 2. Regulation (EU) 2020/460 of the European Parliament and of the Council of 30 March 2020 amending Regulations (EU) No 1301/2013, (EU) No 1303/2013 and (EU) No 508/2014 as regards specific measures to mobilise investments in the healthcare systems of Member States and in other sectors of their economies in response to the COVID-19 outbreak 3. Sixth amendment and Restatement Agreement on the Management of the European Fund for Strategic Investments and on the EU	EU budget: 1 and 2. European Regional Development Fund, European Social Fund, Cohesion Fund, European Maritime and Fisheries Fund 3. Funds unlocked from the European Fund for Strategic Investments <sup>66</sup> , under the EU programme for the Competitiveness of Enterprises and Small and Medium-sized Enterprises Loan Guarantee Facility and the InnovFin SME Guarantee under Horizon 2020 4. EU Solidarity Fund, created in 2002 <sup>67</sup>	1 and 2. Art. 43, para. 2, TFEU (Common agricultural policy and the common fisheries policy), Art. 177 TFEU (Structural Funds), Art. 178 TFEU (European Regional Development Fund) 3. Art. 172 TFEU (Trans-European networks), Art. 173 TFEU (Industry), Art. 175 TFEU (Economic, social and territorial cohesion), Art. 182 TFEU (Research and technological development) 4. Art. 175 TFEU (Economic, social and territorial cohesion); for non-EU States, Art. 212 TFEU (Economic, financial and	EU budget 2020. Concerning the EU Solidarity Fund, the Commission will collect Covid-related applications until 24 June 2020, assess them in a package and submit a proposal for financial aid to the European Parliament and the Council <sup>68</sup>

<sup>65</sup> The European Globalisation Adjustment Fund can also be used to support dismissed workers and those self-employed. €179 million should be available in 2020.

<sup>66</sup> The European Fund for Strategic Investments was established by EU Regulation 2015/1017 of 25 June 2015, within the Juncker Plan.

<sup>67</sup> Council Regulation (EC) No 2012/2002 of 11 November 2002 establishing the European Union Solidarity Fund.

<sup>68</sup> European Commission, COVID-19 – EU Solidarity Fund, [www.ec.europa.eu](http://www.ec.europa.eu).



Programme	Commitments	Content	First official proposal	New legal acts	Legal framework	Substantive Treaty legal basis	Duration
<p><b>Coronavirus Response Investment Initiative Plus</b></p>	<p>No changes in the MFF annual ceilings</p>	<p>EU Solidarity Fund to encompass major public health emergencies. The Fund can cover all types of assistance to the public (medical, health sector and civil-protection-type measures) and any type of measure taken to contain the disease. This mechanism also applies to countries negotiating their accession to the Union. Up to €800 million are available in 2020 (no new commitments).</p>	<p>Commission proposal, COM(2020) 138 final, 2 April 2020</p>	<p>guarantee, 27 April 2020                      4. Regulation (EU) 2020/461 of the European Parliament and of the Council of 30 March 2020 amending Council Regulation (EC) No 2012/2002 in order to provide financial assistance to Member States and to countries negotiating their accession to the Union that are seriously affected by a major public health emergency</p>	<p>EU budget funds</p>	<p>technical cooperation with third countries)</p>	<p>EU budget 2020</p>
	<p>Transfer possibilities across the three cohesion policy funds and different categories of regions; flexibility in thematic concentration; 100% EU co-financing rate for cohesion policy programmes for the accounting year 2020-2021.                      Amendments to the Fund for European Aid to the Most Deprived Amendments to the European Maritime and Fisheries Fund</p>	<p>Commission proposal, COM(2020) 138 final, 2 April 2020</p>	<p>Council Regulation (EU, Euratom) 2020/538 of 17 April 2020 amending Regulation (EU, Euratom) No 1311/2013 laying down the multi-annual financial framework for the years 2014-2020 as regards the scope of the Global Margin for Commitments; Regulation (EU) 2020/558 of the</p>	<p>Council Regulation (EU, Euratom) 2020/538 of 17 April 2020 amending Regulation (EU, Euratom) No 1311/2013 laying down the multi-annual financial framework for the years 2014-2020 as regards the scope of the Global Margin for Commitments; Regulation (EU) 2020/558 of the</p>	<p>EU budget funds</p>	<p>Art. 177 TFEU (Structural Funds), Art. 178 TFEU (European Regional Development Fund)</p>	<p>EU budget 2020</p>

Programme	Commitments	Content	First official proposal	New legal acts	Legal framework	Substantive Treaty legal basis	Duration
<b>EIB Group Pan-European Guarantee Fund</b>	€25 billion (new Member States contributions, which will take the form of guarantees and may include an upfront payment) <sup>69</sup>	The fund will mobilize up to €200 billion of additional financing. 65% is earmarked for SMEs	Eurogroup, Report on the comprehensive economic policy response to the COVID-19 pandemic, 9 April 2020	European Parliament and of the Council of 23 April 2020 amending Regulations (EU) No 1301/2013 and (EU) No 1303/2013 as regards specific measures to provide exceptional flexibility for the use of the European Structural and Investments Funds in response to the COVID-19 outbreak	The EIB is an organ of the Union	308 and 309 (EIB)	The fund will become operational as soon as contribution agreements with Member States accounting for at least 60% of EIB capital have entered into force. The initial investment

<sup>69</sup> EIB, EIB Board approves €25 billion Pan-European Guarantee Fund in response to COVID-19 crisis, 26 May 2020, [www.eib.org](http://www.eib.org).

Programme	Commitments	Content	First official proposal	New legal acts	Legal framework	Substantive Treaty legal basis	Duration
<b>Support to mitigate Unemployment Risks in an Emergency (SURE)</b>	€100 billion. The Commission will borrow on financial markets with a guarantee by Member States	Loans to Member States to cover the costs directly related to the creation or extension of national short-time work schemes	Proposal for a Council Regulation on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak COM(2020) 139 final, 2 April	Council Regulation (EU) 2020/672 of 19 May 2020 on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak	Art. 220, para. 1, of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union states that financial assistance by the Union to Member States can take the form of a loan	Art. 122, paras 1 and 2, TFEU (Economic Policy)	31 December 2021  31 December 2022

TABLE 5. Adopted Economic and Social Measures

Programme	Commitments	Official proposals	Legal framework	Substantive Treaty legal basis	Content	Duration
<b>Amendments to the 2020 budget</b>	€11,54 billion	Proposal for a Council Regulation amending Council Regulation (EU, EURATOM) No 1311/2013 laying down the multi-	Given that nearly all margins under the MFF ceilings are exhausted, an increase in the MFF commit-	Articles 174 and 175 TFEU (Economic, social and territorial cohesion)	Solvency support through the European Fund for Strategic Investments (€5 billion), new React-EU initiative (€5 billion); reinforced European Fund for Sus-	2020 budget

Programme	Commitments	Official proposals	Legal framework	Substantive Treaty legal basis	Content	Duration
		nual financial framework for the years 2014-2020, COM(2020) 446 final, 28 May 2020; Draft Amending Budget 6/2020, COM(2020) 423, 3 June 2020	ments (but not payments) ceilings for 2020 is needed, in compliance with the own resources ceiling. <sup>70</sup>		tainable Development (€1,04 billion), European Investment Fund capital increase (€500 million). In total, €5 billion grants and €6.5 billion guarantees	
<b>Next Generation EU</b>	€750 billion	European Council: Joint Statement, 26 March 2020 French-German initiative for the European recovery from the coronavirus crisis: 18 May <sup>71</sup> "Frugal four" position: 23 May <sup>72</sup> Commission: The EU budget powering the recovery plan for Europe, COM(2020) 442 final, 27 May 2020; Europe's moment: Repair and Prepare for the Next Generation, COM(2020) 456 final, 27 May 2020; Proposal for a Council Regulation establishing a European Union	Arts 310 and 311 TFEU are generally interpreted as a prohibition of Union debt to fund the budget. However, the Union may issue debt to fund programmes established under Art. 122, para. 2, TFEU. Such programmes can theoretically be guaranteed by the EU budget, like the pre-ESM European Financial Stabilisation Mechanism (€60 billion), or by Member States, like the recent SURE (€100 billion).	European Union Recovery Instrument: Art. 122 TFEU (Economic Policy) Expenditure: various TFEU Arts: 43 (Common agricultural policy and the common fisheries policy), 46 (Freedom of movement for workers), 149 (Employment), 153 (Social policy), 162 to 166 (European Social Fund), 168 (Public health), 172 (Trans-European networks), 173 (In-	Financing: €750 billion borrowed on the financial markets. Repayment would be based on a new own resources system, whose ceiling would be raised to 2% of EU GNI. New own resources to be added at a later stage could be based on emissions trading system, carbon border adjustment, operations of companies, digital tax. Spending: through new programmes and strengthened existing programmes in the EU budget. Support to Member States: new Recovery and Resilience Facility, €560 billion (€310 billion in grants + €250 in loans), to be distributed on the basis of the population, the inverse of the per capita Gross	Borrowing: between 2021 and 2024 Repayment: between 2038 and 2058. However, only 24.9% of the grants, 31% of guarantees and 43% of loans would be spent in 2020-2022. <sup>76</sup>

<sup>70</sup> Art. 17 of Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020.

<sup>71</sup> France Government, Ministère de l'Europe et des Affaires étrangères, European Union – French-German initiative for the European recovery from the coronavirus crisis (Paris, 18 May 20), [www.diplomatique.gouv.fr](http://www.diplomatique.gouv.fr).

<sup>72</sup> *Non-paper EU support for efficient and sustainable COVID-19 recovery*, [www.g8fip1kplyr33rkrz5b97d1-wpengine.netdna-ssl.com](http://www.g8fip1kplyr33rkrz5b97d1-wpengine.netdna-ssl.com).

Programme	Commitments	Official proposals	Legal framework	Substantive Treaty legal basis	Content	Duration
		<p>Recovery Instrument to support the recovery in the aftermath of the COVID-19 pandemic, COM(2020) 441 final/2, 28 May 2020; Amended proposal for a Council Decision on the system of Own Resources of the European Union, COM(2020) 445 final, 28 May 2020; 16 other sectoral proposals with annexes;<sup>73</sup> most notably: Proposal for a Regulation of the European Parliament and of the Council establishing a Recovery and Resilience Facility, COM(2020) 408 final, 28 May 2020</p>	<p>The Commission's proposals back the temporary European Union Recovery Instrument with new own resources.</p>	<p>industry), 175 (Economic, Social and Territorial Cohesion), 177 (Structural Funds), 178 (European Regional Development Fund), 182, 183, 188 (Research and technological development), 196 (Civil protection), 209 (Development cooperation), 212 (Economic, financial and technical cooperation with third countries)</p>	<p>Domestic Product (GDP) and the relative unemployment rate<sup>74</sup>. React-EU, €50 billion in grants (cohesion funds); new Just Transition Fund, €30 billion in grants; improved European Agricultural Fund for Rural Development, €15 billion in grants. Incentives to private investment: new Solvency Support Instrument, €26 billion in guarantees; upgraded InvestEU,<sup>75</sup> €30.3 billion in grants; new Strategic Investment Facility, €15 billion. Lessons from the crisis: new EU4Health, €9.4 billion in grants; reinforced rescEU, €2 billion in grants; reinforced Horizon Europe, €13.5 billion in grants; Neighbourhood, Development and International Cooperation, €10.5 billion in guarantees; Humanitarian Aid, €5 billion in grants. In total, €433 billion in grants (+ €5 billion for non-EU countries); €61,5 billion in guarantees (+ €11,5 bil-</p>	

<sup>76</sup> Z. DARVAS, *Three-quarters of Next Generation EU payments will have to wait until 2023*, Bruegel Blog, 10 June 2020, [www.bruegel.org](http://www.bruegel.org). Calculations are based on the Commission's proposals.

<sup>73</sup> European Commission, *Sectoral legislation*, [ec.europa.eu](http://ec.europa.eu).

<sup>74</sup> Art. 10 of the Proposal for a Regulation of the European Parliament and of the Council establishing a Recovery and Resilience Facility, COM(2020) 408 final, 28 May 2020. Unemployment rate is calculated over the past 5 years and compared to the EU average (Annex I, COM(2020) 408 final/3, 2 June 2020).

<sup>75</sup> InvestEU would gather investment programmes within the 2021-2027 MFF (Proposal for a Regulation of the European Parliament and of the Council establishing the InvestEU Programme, COM(2018)439 final, 6 June 2018).

Programme	Commitments	Official proposals	Legal framework	Substantive Treaty legal basis	Content	Duration
<b>2021-2027 MFF</b>	€ 1,100 billion (not Covid-19 specific) <sup>77</sup>	Amended proposal for a Council Regulation laying down the multiannual financial framework for the years 2021 to 2027, COM(2020) 443 final, 28 May 2020	Ordinary MFF	Miscellaneous	lion for non-EU countries), and €250 billion in loans Amended version of the ordinary MFF	2021-2027

Table 6. Economic and Social Measures under Discussion

Programme	Commitments	Official proposals	Legal framework	Content	Duration
<b>Addressing the economic and social consequences of the Covid-19 crisis</b>	€12.28 billion <sup>78</sup>	Communication on the Global EU response to COVID-19, JOIN(2020) 11 final, 8 April 2020	Reorientation of existing funds and programmes, including the EU budget, the European Development Fund, and the EIB	Various actions in different countries, such as direct budget support and concessional financing, coordinated with the World Bank and the IMF, and support to the private sector. Funds would include grants, guarantees and loans	Some funds should be provided by amendments to the EU budget 2020

<sup>77</sup> The proposed amount of €1,100 billion is lower than previous proposals by the Commission (EU budget for the future - EU budget financing, 9 October 2019: €1,279 billion, representing 1.14% of GNI) but higher than proposals discussed by the Council under the Finnish presidency (€1 087 billion, representing 1.07% of GNI; General Affairs Council, 10 December 2019).

<sup>78</sup> This amount seems to include at least a part of the support to the Western Balkans and neighbourhood partners.

Programme	Commitments	Official proposals	Legal framework	Content	Duration
<p><b>Support to the Western Balkans and neighbourhood partners</b></p>	<p>€ 3,3 billion</p>	<p>Proposal for a Decision of the European Parliament and of the Council on providing Macro-Financial Assistance to enlargement and neighbourhood partners in the context of the COVID-19, COM(2020) 163 final, 22 April 2020; Support to the Western Balkans in tackling COVID-19 and the post-pandemic recovery, COM(2020) 315 final, 29 April 2020</p>	<p>Most funds channelled through EU budget programmes seem to be already available. An Economic and Investment Plan for the Western Balkans will be included in the 2021-2027 MFF</p>	<p>EIB loans (€1,7 billion, in coordination with the IMF), Macro-Financial Assistance (€750 million loans), other EU budget programmes</p>	<p>Macro-Financial Assistance loans would be disbursed in 2020 but provisioned starting from 2022</p>

TABLE 7. Economic and Social Measures under Discussion (External Action)

