

Article – Covid-19: the EU plan for the economic recovery



On 15 May Parliament called on the European Commission to present a major economic stimulus plan to help mitigate the shock from the coronavirus and settle on a sustainable future.

Grim economic forecasts

The latest [economic forecasts](#), presented by the Commission in early May, show the economy has taken a hard hit because of the health crisis. As people stay at home and entire sectors have abruptly shut down, the EU economy is facing the prospect of at least a 7.4% contraction this year, which is significantly worse than the fall in 2009.

Even this bleak forecast might underestimate the actual scale of the recession, as any relaunch of economic activity will be gradual and could be easily disrupted by a second wave of the coronavirus.

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.

Ambitious response needed

Faced with the scale of the economic hardship, MEPs argue in a [resolution adopted on 15 May](#) for bold and decisive action from Europe.

The EU is in the midst of devising its [next long-term budget](#) and as the response to the current crisis will define developments over the coming years, it makes sense to add recovery measures to the plans. But Parliament insists that the recovery package should come on top of the needs of existing EU programmes and not take funding away from them.

If Parliament's demands for an increased long-term budget are not met, MEPs warn that they are ready to use their power to veto the long-term budget.

Recovery funds should go to those that are hardest hit by the crisis, say MEPs. They want most of the money to be disbursed as grants, as there are concerns that loans could worsen the financial situation of crisis-stricken member states.

The resolution suggests the recovery package should be financed through the issuance of long-term recovery bonds guaranteed by the EU budget. It also points out the need for new sources of revenue to the EU budget; otherwise a bigger budget will entail higher direct contributions from member states.

The EU will still need to prioritise [climate action](#) and a [digital strategy](#), say MEPs, adding that a new EU health programme should be created ensuring that medical supplies are available across the EU in times of need.

Parliament also insists that it should have its say on decisions concerning the recovery fund. In a plenary debate on 13 May, MEPs pointed out that Parliament is the only directly-elected EU institution and should have oversight on budgetary issues as a matter of democratic legitimacy.