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Agreement comes at a high price

EU Summit

After tough negotiations, EU leaders agreed on a reconstruction fund of 750 billion Euro, including 390 billion in grants, a Multiannual financial framework of 1.074 trillion, linking payments from the reconstruction fund vaguely to the rule of law and a right of appeal for EU governments when granting money from the reconstruction fund. The Netherlands, Austria, Denmark and Sweden, supported by Finland, pushed through a significantly lower EU budget and tough cuts in future programmes such as the Just Transition Fund, health, rights and values, research and development, and Erasmus plus.

Philippe Lamberts MEP, President of the Greens/EFA group in the European Parliament, comments:

“It is good news that Heads of States and Governments finally found an agreement on a common EU recovery fund. If in such exceptional circumstances, the EU leaders would have been unable to find common ground, the very raison d’être of the EU would have been dealt a massive blow.

“The agreement comes at a high price though. In terms of volume, the 390 billion of grants over three years will amount to less than one per cent of the EU’s GDP per year. Not negligible but far from what would actually be required. In the long run, with massive cuts in future investments under the umbrella of the EU budget the EU governments do not keep their promise to invest in future generations.

“In exchange for a smaller recovery fund and higher rebates the rule of law mechanism was significantly watered down. The rule of law conditionality remains too fuzzy to constitute a real lever to bring Member States to respect what they signed up for when becoming members. As expected, the prime ministers of Hungary, Poland, Slovenia or the Czech Republic wanted to block any serious rule-of-law conditionality. The Dutch liberal Prime Minister and the Austrian conservative Chancellor, together with the socialist PMs of Denmark, Finland and Sweden in tow, fought against the very principle of a common EU recovery plan; indeed, had they had their way, we would have a much smaller plan exclusively made up of loans. This would not only have made the plan useless; it would actually have hastened a potentially fatal Eurozone crisis.

“They missed the chance of fully conditioning the recovery plan to the EU rule of law and aligning with the objective of making Europe the global leader in fighting climate change and making our societies respect the planetary boundaries, as the Greens pushed for in each of those countries. Their insistence on cuts will not

only weaken the economic impact of the recovery plan, it will primarily hurt the most future-oriented parts.

“In terms of governance, the alarm bell procedure granted to the fiscal hawks may be a way to delay decisions but can in no way become a de facto veto, which would be totally illegal under EU law. The best way to guarantee the actual respect of the rules that should condition the investments would have been to bring the European Parliament in the decision process. But the Council, as is generally the case, ignored the only directly elected EU institution.

“EU governments must prepare themselves for tough negotiations with the European Parliament, which will use the leverage that it has in order to limit the damage made to the original ambition by the European Council. The European Parliament will press for a higher Multiannual Financial Framework, its say on reconstruction and for financial aid to be linked to a strong rule-of-law mechanism, for long-term investment, such as in the Rights and Values programme, in research and development and Erasmus+, and for the European Parliament to be involved in the governance of reconstruction funds.

“Finally, if there is one lesson that we should have learned from Brexit, it is that when political leaders from traditional families pick up speech and act as if the EU were primarily a waste of money, they actually reinforce the centrifugal forces that alienate Europeans from one another, in a world where we more than ever need to act together in order to regain actual sovereignty.”

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