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The Greens/EFA's proposal for an EU coronavirus fund

Ahead of the Eurogroup meeting on 7th of April 2020, the Greens/EFA Group in the European Parliament unveils a proposal for an EU coronavirus fund to tackle the economic consequences of the COVID-19 outbreak.

Europe is in a critical situation and we need European solidarity now more than ever. The Corona crisis was not caused by any country and the virus knows no border. To fight it together, we must prove that we are willing and able to preserve our community of values and our common destiny and work for each other in a globalized environment in the face of geopolitical, security and social challenges. This is a time for courageous joint action, not fear, and for European unity, not national division. No one will be better off if the European project is weakened because of the Corona crisis. We are in this together. It is in our common interest to get out of this crisis together.

Building on the French proposal for a rescue fund, the Greens/EFA call for the rapid issuance of Coronabonds to cover immediate costs related to the Corona crisis, stabilize our economy and to support the restart of our economies. This restart must be based on a more sustainable model of economic development in all Member States in line with the Paris Agreement and the European Green Deal proposal. Coronabonds would help share the economic burden of a crisis that hits all countries simultaneously. They would especially support the hardest-hit countries while being reimbursed by all Member States according to the size of their GDP. This should also be supported by new own resources. Such shared liability will ultimately lead to lower interest rates for the Union as a whole. The issuance would take the form of bonds with a long maturity, thereby alleviating debt servicing costs and burden sharing among Member States.

This framework – which should be established through co-decision procedure – would allow us to shoulder the economic costs of the crisis through common spending and joint reimbursement. Thus, it would help to avoid a new sovereign debt crisis in Europe and to create more sustainable and shared prosperity.

Details of the proposal

- **Who would collect the money?**
  An EU dedicated fund (i.e. a "EU coronavirus fund"), whose legal basis would ensure co-decision

powers for the European Parliament and democratic accountability at EU and national level[1].

- **How would the money be collected?**
  The common bonds would be issued in the markets and be eligible for ECB refinancing and open market operations.

- **How much money would be raised?**
  The EU coronavirus fund would issue Coronabonds of up to €1 trillion[2]. This figure is based on estimates of the cumulative public deficits required to tackle the consequences of the COVID-19 outbreak at EU level.

- **How would the money be allocated?**
  The money raised would be allocated to Member States in proportion to the impact of the coronavirus outbreak. More severely affected countries would thus receive a higher share. The economic impact would be measured by transparent and commonly agreed indicators such as GDP decreases, health impacts and unemployment rates[3];

- **What conditionalities would be attached to this assistance?**
  The Commission would agree with Member States on which expenditures are eligible for assistance on the basis of an eligibility framework that focuses first on fighting the pandemic and its immediate consequences, but also on preserving economic and financial stability for the future. All expenditure should be fully in line with the Paris Agreement and the EU's climate commitments.

- **Who would pay back the money?**
  The EU fund, which would, at first, be financed by annual payments from Member States according to the size of their GDP. However, this should also be supported by new EU own resources (such as revenues from environmental, digital and corporate taxes). Shutting down tax havens and intensifying the fight against harmful tax practices within the EU and globally will therefore be crucial to recover billions of losses in tax revenues that could be used to finance the Green Deal.

Co-signed by: *Sven Giegold, Claude Gruffat, Stasys Jakeliunas, Philippe Lamberts, Kira Peter-Hansen, Ernest Urtasun, Damien Carême, Karima Delli, Bas Eickhout, Henrike Hahn, Ville Niinistö, Rasmus Andresen*

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[1] The EU coronavirus fund could be established under Article 122.2 TFEU, which allows the EU to provide financial assistance to Member States faced with severe difficulties caused by natural disasters or other exceptional occurrences beyond their control. This legal basis could be complemented with Article 175.3 TFEU and Article 121.6 TFEU (in case only euro area Members participate) or the provisions for 'enhanced cooperation' in Articles 326 to 334 TFEU (if the Fund is to be created by euro area Member States alone).

[2] This amount would be in line with what seven leading economists from Germany have proposed (https://www.iwkoeln.de/studien/iw-kurzberichte/beitrag/markus-demary-juergen-matthes-hilfsinstrumente-gegen-die-corona-krise-im-vergleich-464926.html)

[3] This is similar to how resources would be allocated in the European Investment Stabilization Facility (EISF) Regulation as proposed by the Commission in 2018.

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Responsible MEPs

Rasmus Andresen

Member

Damien Carême

Member

Karima Delli

Member

Sven Giegold

Member

Claude Gruffat

Member

Henrike Hahn

Member

Stasys Jakeliūnas

Member

Philippe Lamberts

Member

Ville Niinistö

Member

Kira Peter-Hansen

Vice-President and Treasurer

Ernest Urtasun

Vice-President

Contact person

František Nejedlý

Advisor on Internal Market and Consumer Protection

Attached documents

GreensEFA proposal for an EU coronavirus fund

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