Landmark achievement in Brussels. EU leaders strike deal: the terms of the €750 billion Recovery Fund.

A landmark deal. This term is often and in many cases overused in reports on EU developments, and yet after four days and four nights of negotiations at the European Council this expression is far from rhetorical. Let us see why. By early dawn on Tuesday, 21 July, the European Council, the body made up of the heads of state or government of all EU countries, approved an amended - albeit not radically altered - version of the proposal submitted by the European Commission regarding the EU's long-term budget and the creation of a special €750 billion special fund - the Recovery Fund.

In fact the greatest innovation is precisely the Recovery Fund.

The novelty lies both in how it is financed and how the money will be spent. Let us start with the latter: funds will go to public programmes aimed at a faster and better recovery from the economic and social damage caused by the Covid-19 epidemic. There ensues that the money will be distributed according to the extent to which a given Member State has been affected by the Covid-19 epidemic. It therefore represents a very far-reaching form of solidarity at European level. For Italy, this is an impressive figure: Prime Minister Giuseppe Conte announced €209 billion in grants and loans. Even those who view EU membership in strictly budgetary terms can hardly deny the "convenience" of Italy's membership to the European community. *Obviously the programmes financed under the Recovery Fund will have to operate smoothly: they must be carefully planned and effectively implemented.* Understandably, this was also an object of debate during the European Council, and in all honesty, close monitoring by Community bodies as to how Italian public authorities will spend the money should be more than welcome. It is indeed the authorities' responsibility to use this money to good effect. Monitoring will primarily be carried out by the EU Commission, and this too is a step forward: the instrument adopted a decade ago during the debt crisis faced by countries such as Greece led to the creation of a Fund administered directly by national governments and almost entirely unmonitored by both the Commission and the European Parliament. *The Recovery Fund is a genuinely community-based instrument fully anchored to the EU institutions' system.* The way in which the Recovery Fund will be financed is also a historic innovation. In fact, it is financed through joint long-term debt issued by the EU: for the first time the Union is collectively borrowing large amounts of money from the financial markets (very limited indebtedness had already been incurred in the past, but for small amounts) for European solidarity purposes. Equally significant is the way in which the debt will be repaid: with new taxes (still to be defined) on economic activities outside the EU, such as coal pollution by manufacturers of goods imported into Europe or via taxes on the economic activity of the major digital operators (which are normally American or Chinese). In this respect, the EU is also developing a stronger foreign policy: it will have to choose who and what to tax, displeasing one or the other foreign power; but this is the essence of foreign policy. Finally, the process whereby these decisions were taken deserves some consideration:

a strenuous negotiation that lasted four days and four nights.

Actually, there was nothing historic about this, in fact many EU-level negotiations have lasted many days and nights. Nor was it a record-breaking duration. Negotiations on the Treaty of Nice in the year 2000 allegedly lasted a few minutes longer... The bottom line is that the European Council decides unanimously on issues such as the EU budget. Even a single Member State, no matter how small its population, can veto any deal. In this case, the “impasse” imposed by the government of the Netherlands, joined by the governments of Austria and, to a greater or lesser extent, Denmark, Sweden and partly Finland, was the main cause of these problematic negotiations. According to the unanimity rule the veto of just one Member State alone is enough to prevent a decision by the other Member States and by the European Parliament, which is required to approve the budget, but can only act on it once the European Council (that brings together national governments) has in turn endorsed a proposal. In this case, the overwhelming majority of MEPs were in favour of a more ambitious package than the one finally agreed by the European Council, yet this has not prevented countries that, taken together, represent some 45 million inhabitants out of some 450 million European citizens, from embarking on gruelling negotiations and a slightly (yet not excessively) scaled-down proposal compared to the initial draft (indeed, the issue is pending as the European Parliament must now approve the proposal, and may even reject it. It is no coincidence that a very sensitive and compliant leader such as Angela Merkel, Chancellor of Germany, instantly addressed the European Parliament somewhat apologising for perhaps not having given sufficient consideration to Parliament's position.) *Those States that opposed the initial proposal obtained a number of specific - and hardly "landmark" - concessions.* However, it should be noted that no single State opted to stay out (remember the UK? Before Brexit, the British government had repeatedly demanded and obtained that the United Kingdom be exempted from participating in new forms of European integration. However, in this case nobody has opted out). It is also a remarkable achievement that all 27 EU countries, including all eight non-eurozone countries, are collectively participating in the Recovery Fund. Finally, it is also worth noting that opposition countries have done very little proselytism. Indeed, at the beginning of July on the occasion of the election of the new president of ECOFIN - made up of the economics and finance ministers from all member states - a group of a dozen or so “small” countries got the Irish Finance Minister elected as ECOFIN President. But now many of the States which had voted for a representative of the “small” countries at the helm of ECOFIN, in order to limit the influence of the larger and more populous countries, have endorsed the Recovery Fund proposal in its most ambitious version: from the Baltic States (Estonia, Latvia, Lithuania) to East European Eurozone countries such as Slovenia and Slovakia, to Belgium and Luxembourg, to Ireland, which had in fact obtained the presidency of ECOFIN. *This fact serves as a final lesson to be drawn from the circumstances of the European talks: the unanimity rule must certainly be overcome.* Yet again, to seek, consistently and persistently, everyone's consensus and keep “everyone on board”, because after all, the EU is the common home of all, is very much part of the EU spirit, well interpreted on this occasion by Angela Merkel. (*)Professor of Public Management at The Open University, UK.

Edoardo Ongaro