

Christine Lagarde: Interview with The Washington Post



INTERVIEW

Video interview with Christine Lagarde, President of the ECB, conducted live by David Ignatius on 22 July 2020

23 July 2020

I'm David Ignatius, a columnist for The Washington Post. It's my great pleasure to have this morning on our Washington Post Live series of programs about the Path Forward, Madam Christine Lagarde, the president of the European Central Bank, before that for eight years the managing director of the International Monetary Fund, one of the people who will be guiding our global economy out of this post-COVID pandemic world. Welcome, Madam Lagarde. It's so good to have you with us on the program.

Thank you so much, David. It's a pleasure to see you and to be with you and to say hello to my friends in Washington.

So, we're lucky to have you this morning, the day after the announcement of the EU's recovery package of €750 billion, roughly \$850 billion. It's being described in the US and European press as unprecedented, revolutionary, a new path forward for the EU. I know this isn't directly your area because this is in the area of fiscal policy, not monetary, but perhaps you could just explain to our viewers why this is so important and what you think it may accomplish.

David, I think it is, it is important because for the first time, albeit on a temporary basis and to deal with the emergency situation, the 27 member states comprising the European Union have decided to jointly borrow in order to support those member states that were most affected by COVID-19. So, this is clearly a demonstration of solidarity, of transfer to those that need it most, and it's the first time that, you know, there is such joint borrowing of that magnitude.

So there have been commentators in the US this morning who have been describing this as a Hamiltonian moment, remembering Alexander Hamilton and his actions as our first Treasury secretary to assume the debts of the different states after the Revolutionary War and thereby pull the United States, the young country together. Do you think that that's an apt comparison to what's been done here by the EU in pulling the countries together and making this common commitment to borrow and then make grants?

You know, I don't think that history actually repeats itself, and comparisons are odious. But I think it's a breakthrough in that at a time of shock, where the economy is massively, brutally impacted, I mean, just think for a second. In a matter of two quarters the euro area will have lost as much output as it has gained over the last 15 years. So that gives you an idea of the violence of the economic shock. So, in response to that, in a determination and decisiveness, solidarity act, the member states have said, okay, let's borrow together. So it's not an assumption of the debts from the past, you know, each country keeps its own lot of debt from the past, but it's a determination to move forward together and to particularly help those that have been massively affected by COVID-19 and which did not have actually the fiscal space to respond as they should have.

Madam Lagarde, you said last weekend as this deal was being worked out that you hoped that it would be ambitious and not just fast. And I want to ask you whether what's been accomplished meets your test of being ambitious, stepping up to the enormity of the problems.

The total envelope that they've agreed is €750 billion, as you say, north of \$850 billion, and that's just for the, what they call the recovery and resilience plan. In addition to that, they've also discussed a seven-years budget that is north of a trillion euros. What I think was important was the right allocation of how much was going to be grants, in other words, joint borrowing allocated, given if you will, to those member states that need it most, namely, you know, Italy, Spain, Greece, Portugal, but also Poland and many countries actually will benefit from that portion, and how much was going to be loans that will have to be refunded by those countries that borrow. And I think the proportion is reasonable. It was hoped in the first place that it would be two-thirds grants, one-third loans. It ended up being a little under €400 billion of grants and 350 of loans. So, you still have more grants than loans. But it's, you know, it's a good balance. It could have been better, but it's a very it's a very ambitious project, actually.

So, let's turn to the question that your economists oversee at the European Central Bank, and that is where the European economy is going. And I'd be very interested in your colleagues' forecasts and your own sense of what we

can expect, both for the final two quarters of this year and then going into 2021. The numbers that I've seen from the EU suggest a significant contraction this year on the order of 8.7 percent is the latest figure I saw, but then a recovery that's significant, 6.1 percent in 2021. Do those numbers seem right to you? And I'm curious about what bumps in the road you think there might be in terms of achieving the kind of recovery everybody wants.

You're right. The numbers you've mentioned are our baseline. A contraction of 8.7 this year and a clear pickup next year and the year after. It's the baseline. We have also worked on scenarios, as most economists have done. The mild scenario, which is a little better, which is in the range of -5 percent, and severe scenario, which is -12ish percent. We, for the moment, the numbers that we're getting for the second quarter would comfort us in the idea that our baseline is probably in the right place. But obviously those things can change, and forecasting is a difficult exercise, particularly at the moment when you are missing some of the usual tools to measure the economic progress and the creation of value. What could actually derail this baseline which seems to be in the right place now, would be a massive second wave, would be a re-confinement of significant scope, would be, you know, any catastrophic development that you can think of, of course, in geopolitical terms. But in economic terms, back here in Europe and in the euro area in particular the, what could aggravate the baseline is a major second wave. And by the way, because you're a man of numbers as well, those numbers that you've mentioned do incorporate a minimal element of second waves, you know, the flaring up that we see here and there in small clusters and against which instant action is taken by the various policymakers. So that's taken into account. If it was a second massive wave of the kind that we have faced back in early March, then it would be a different story.

So, I take it from what you just said that your economists, forecasters do not see ahead what we refer to as a W, that is to say, we're rising but then we're going to get hit with a second wave and a sharp additional downward trend? It sounds like your numbers don't bear that out.

No. No, they don't. They don't. And I'm not sure exactly what letter of our alphabet our forecast would correspond to. What I know, though, David, is that this recovery is uneven, is uncertain. And, you know, it's the first time that we're actually making a projection. We had operated on the basis of scenarios before that. So, it's going to be touch and go. But for the moment, given the numbers that we have given, the survey numbers, the very unconventional elements that we have, you know, some of the big data providers are now analysing traffic or use of cards, payment cards and instant payment to actually understand whether the economy is picking up or not, and to what extent people are back into the normal or quasi-normal consumption.

So, I think it's important for our viewers to understand that you as president of the ECB don't see that W, don't see us falling off a cliff again based on what you know now.

Based on what we know and, you know, barring any massive second wave, we certainly don't see this W that you're talking about, no.

Let me ask you, Madam Lagarde, Europe is farther along in the reopening path than the United States is. And I'm very curious what you think Europe is learning about this process of reopening, that is to say, what's sensible and what's risky as you survey the experience of European countries.

I think what we are, what we have seen is a very gradual de-confinement where precautions were still either mandatory or highly recommended. So to give you an example, despite the fact that people were allowed back in cafés and terraces, as is often the case in Europe to have a glass of beer or a café, people were still asked to wear their masks in any confined places where there was, that was open to the public. So, whenever you went to, still today, when you go to a shop, when you go to the hairdresser, when you go to a restaurant, social distance is the rule, mask is the principle, and that is learning number one. The exit out of strict lockdown was very gradual, very thoughtful, very patient. And it was not an easy exercise, neither for policymakers nor for the people themselves. But we observed a really strong discipline throughout, and a good understanding that, you know, you had to guard against the temptation all the time if you wanted to protect not only yourself but others. I think the second learning was that we were all in this together. And clearly taking measures in one part of the country or one part of Europe was not enough and that those measures had to be taken together. It was a bit laborious in the first place, and there was the odd, you know, decision here or there to go solo, but in the main I think we learned that by working together and by moving together it was much safer.

So, this question really is an extension of your answer to the last one. What have Europeans learned in this period about what good political leadership looks like? What's been helpful to Europe as it's made its path out of the initial lockdown?

I'm going to be, I'm going to be extremely biased, David, and I'm not going to be a central banker at this very moment, but I would say that for myself I've learned that women tend to do a better job. It's quite fascinating, actually. When you look at those countries that were led by women and the path that they took and the policies that they adopted and the communication style that was in play was quite stunning. So, this is my woman's bias and I indulge in ceding to this bias. I think what ...

This, go ahead, please.

I think the other aspect of policy communication that worked, as I observed it here, was the very honest, transparent and sometimes almost scientific approach that some of the policymakers adopted. When I look at what Chancellor Merkel has done here in Germany for instance, she very, very transparently shared data, numbers, casualties, rate of contaminations, and so on and so forth. And it became very quickly sort of common, you know, lingua franca, common knowledge that people would understand those scientific elements that enabled them to appreciate why certain measures were necessary such as masks, such as being confined, such as keeping social distances. I think that's, you know, from what I have observed in a few of the European countries that I know best, that seems to have worked well.

And I wonder just to ask you to take your provocative and fascinating comment a moment ago a step further, why is it that women were such successful leaders? Chancellor Merkel, obviously, Ursula von der Leyen at the EU similarly, you as the ECB president, why is it that these women have had great success, and let's say honestly, relative to male leaders?

You know, I was also thinking of those other leaders around the world. You look at the leader in Taiwan, in Belgium, in New Zealand. Many of those leaders, prime ministers or presidents that have also communicated well and carried the water of bad news as well as the water of clear explanation and strong recommendations.

And in closing this out, I know you're not a politician, but I do want to ask you if you have thoughts for the United States as we're heading toward an election in November, not about which candidate but about what good leadership is.

You know, I don't want to comment on any particular country. But, you know, leading is about inspiring, is about being both responsible and accountable, is about caring as well. I think, you know, you asked me the question about what is special about those, some of those women. I think the caring dimension is something that they manage to express well, and that was considered by viewers and voters probably as authentic.

Let's talk a little bit about the technical side of your life at the ECB. You're responsible for monetary policy, and my impression is that you've taken a stance very similar to our Fed Chairman Jay Powell in saying that the ECB will do whatever it takes within the limits of its charter to assure financial markets that it will be a provider of liquidity, that it will stand behind the ability to continue orderly trading. Maybe you could talk a little bit about how you've tried to play your monetary hand and what differences, if any, there are between your approach and that of Chairman Powell, here.

Well, first of all I'd like to pay tribute to him, because we really had a very good working relationship. We cooperated. We compared notes. We talked to each other on a regular basis at the height of the crisis and subsequently. One of the key differences is that he has a Treasury Department not far, and they can be strong interconnection relationships between them, and there is clearly, there are links that cannot be established at this point in time between the European Central Bank and a euro fiscal authority that still doesn't exist at this point. So, I think that that's the key difference number one. Key difference number two is that the markets are very different. A lot of the financing here in Europe is handled through banks. So, some of my programmes here at the ECB were directed at the banks, and we made financing available at very, very attractive conditions through the national central banks that constitutes the whole euro system of which the ECB is the center. But we made those loans available to banks, because they are the ones that actually provide the financing to corporates, to enterprises, to SMEs, to households. In the United States you have very different markets where the bank intermediation doesn't matter as much because you have a much deeper and more vibrant capital market, which is the source of financing for, you know, most of the corporates. So that's another

big difference that clearly has driven us to design programs differently. He had a whole list of specifically designed financing tools and instruments that were, that identified particular segments of the markets. We had a massive financing that we called the targeted long-term refinancing operations, which was really a massive financing tool for the banking sector throughout the euro area. I think that I've identified a few differences for you here.

Let me ask just one final blunt question about monetary policy. Some analysts worry about the underlying solvency of many European banks. Yes, there are liquidity problems which the ECB can address through its loans. But in terms of the fundamental capital structure, the resilience of those banks, it's harder for you to do. And I wonder if you'd be willing to comment on that problem, if you think it is a problem, and what the ECB with other sensible financial policymakers can do.

You know, I think the European banks are much more solid than they were at the time of the great financial crisis. Their equity is strong. Their capital ratios are high. They have buffers to guard against the potential shocks. I think what distinguishes them from some of their U.S. counterparts is the fact that their profitability is lower, and that is a factor of many different reasons that it would take too long to go into. But I wouldn't say that European banks are, have solvency issues, not at all. Not at all. I would say that what would be desirable and what we are certainly encouraging is more consolidation, because there are banking systems in some European countries that are too fragmented, where there are many small institutions, and where clearly consolidation would reinforce them. And if we can see cross-border consolidation as well, even better. So, we are trying to change the regulatory framework in such a way that it does not prevent, it doesn't hamper possible consolidations. So, we'll see.

Let me turn to the question that I know you've reflected on a great deal, and that's what the post-pandemic global economy will look like. And you've done something that's really very interesting and unusual in structuring at least some of your quantitative easing purchases of debt, of assets, towards companies and sectors that are sustainable in terms of their response to global warming, to climate change. So, in effect, you have a green bond portfolio that you're imagining putting together, as I read the news. Tell us a little bit about that. And then respond to the criticism that's made, which is that central banks aren't in the business of making decisions like that that favour one political or policy strategy as opposed to another. What do you tell critics when they say, ah, this green bond stuff is not what a central bank should do?

Yeah, and if everybody looks at those issues and says, oh, this is not really my mandate or this is not really for me to do, this is always for somebody else, I would caution against that for anybody who's tempted to go in that direction. Let me just step back for a second. Forty percent of green bonds around the world are issued in Euro. So that gives us an indication of how strong that percentage of the market is. We buy 20 percent of all available green bonds, we the ECB. But apart from that, most of our purchases are not directed at corporate bonds, which is where you can actually distinguish

between the brown, the not so brown, the green the very green. But most of our purchases are directed at sovereign bonds. And in that particular category, you cannot distinguish between greenish or not so green. You buy sovereign bonds. And it is obviously for governments, for policymakers to decide how much they want to respect or comply with the Paris Agreement that they've signed, and I certainly hope that they do. What directionally I hope we achieve is moving in the direction of being more active on the green bond sector that will itself be expanding. And what I have said is that we need to explore each and every activity that we have to see how climate change and the risks associated with climate change would affect our policies. I for one believe that price stability, which is the mandate of the ECB, we don't have two mandates like Jay Powell does; Jay has price stability and full employment; we only have price stability. But I contend that price stability can be significantly affected by climate change, and that as a result of that, if we want to deliver on our mandate, we have to be not only mindful but also take action in order to prevent climate change from affecting that price stability that is our mandate. So, I think that the two are intrinsically related and bound and require that actually we take those matters seriously into account, even though we are central bankers.

We have less than five minutes left, I'm sorry to say. So, I'm going to ask you one more big question where I'd love to hear your thoughts. You've said that you think that this post-pandemic economy will lead to, you said, an acceleration of transformations in the global economy. Obviously, part of that involves what we just had been talking about, the sustainable green aspect of the economy. But there are many other changes that are ahead. And I'm wondering in particular whether you think that the kind of globalization that we experienced for the last several decades really is going to, is going to make a turn, that we'll be facing a more decoupled, more limited global economy, whether we'll have major disruptions of industries that just don't work as well in a post-pandemic world as they did before. What do you, what do you think when you think about these accelerating transformations? What are some of them?

One is, I agree with you, acceleration of transformations. Those things were already there. And I can think of green. I use that, you know, as it's a bit an oversimplification, but let's use that. An economy that is more green, that is more digital and that will value proximity more than it did before. Now on the latter part, will that entail industrial sunset in some countries and the rise of new supply chain that would be more partner-based and more into proximity than into cost-cutting by all means and irrespective of the stretch of the supply chain? It would seem like it. And you know, it's difficult to predict what will happen. But this shock has been so brutal and so harsh, and it's not over yet, that everybody is rethinking and reconsidering. Why would I fly to all corners of the world as often as I have rather than use some of those technological device in order to talk to people and share ideas and communicate? Why would I buy unnecessarily many things that are cheap when I can actually access something that is more in my proximity? Why don't I use more digital devices in order to enrich my culture? I mean, those are sort of obviously advanced economy preoccupations, and it's a whole different ballgame when you think about some of those

developing countries and fragile countries around the world that also depend on some of those supply chains. So how this is going to pan out and how we will continue to be mindful of all communities around the world, whether vulnerable, fragile, or advanced, is something that will require cooperation amongst ourselves. So, I think that multilateralism is not dead. This is the old IMF managing director inside me that is speaking, and I salute my, all my colleagues there. But I believe that those sort of natural reframing of our economies are going to have to be mindful of what happens in other corners of the world to make sure that it is actually sustainable, because that's another learning of this COVID-19, is that we are all so-interrelated and so dependent on each other in the face of those global massive challenges that come to hit us and will come back to haunt us if we don't deal with them.

Christine Lagarde, president of the European Central Bank, you've given us a wonderful half-hour example of how women are leading in key aspects of our recovery from the global pandemic. We're grateful for your insight. We hope that you'll be able to get on a plane before too long and come see us here in Washington. We miss you, and we hope we can do this event face to face in the near future. But thank you so much, Madam Lagarde, for joining us this morning to discuss the path forward.

Spain: Digital innovation – EIB and ICO provide €50 million to Dominion to develop its RDI strategy



- Each entity will advance €25 million.
- The funds will contribute to the development of new engineering solutions, including for healthcare, industry and smart homes.
- Investments will be made in Spain, Germany and Denmark.
- The agreement is supported by the Investment Plan for Europe.

The European Investment Bank (EIB) and the Instituto de Crédito Oficial (ICO) will provide €50 million to finance the innovation strategy of Dominion, a Spanish business group that develops integrated multi-technical engineering, installation, operation and maintenance solutions. The agreement, under which each entity will advance €25 million, will contribute to achieving the objectives of the Digital Agenda for Europe through investments in digitalisation in Spain, Germany and Denmark.

Dominion's innovation strategy will focus on promoting the digitalisation of industrial processes to make them more efficient (Industry 4.0), and on developing new technological solutions for smart home management, e-commerce, safety at work, etc. It will also foster innovation in the healthcare sector through developments aimed at improving hospital management processes. This type of technology is key for the rapid adaptation of health infrastructure to cope with emergencies such as that caused by COVID-19.

The agreement is backed by the [Investment Plan for Europe](#), which enables the EIB to finance projects that present particular value added owing to their structure or nature. The project, which will be implemented over four years, will help strengthen the company's position in a number of highly competitive sectors, expanding the range of services and solutions available to its customers. It will also have a positive impact on employment, contributing to the creation of 400 new jobs during the implementation phase and preserving another 175 highly skilled jobs in the company's research, development and innovation (RDI) centres.

EIB Vice-President Emma Navarro, who is responsible for the Bank's operations in Spain, said: *"We are delighted to be supporting Dominion's RDI strategy to promote the digitalisation of key sectors of the European economy that have proven to be of great value in responding to an economic and health crisis such as the one caused by COVID-19. This project will help strengthen the competitiveness of a leading Spanish company in the development of efficient production processes and demonstrates the EIB's firm commitment to innovation in Europe as key to promoting economic recovery after the pandemic."*

ICO Chairman José Carlos García de Quevedo stressed that the signing of this operation "is part of ICO's efforts to promote key processes such as innovation and digitalisation in manufacturing and industry to foster solid economic recovery and contribute to the creation and preservation of jobs."

Dominion CEO Mikel Barandiarán highlighted the significance of these agreements: "We recently worked with ICO and this is the second loan we have received from the EIB. In addition to financial support, recognition of our projects' innovative nature and relevance is very important to us."

Supporting innovation

Innovation and skills development are essential ingredients in bringing about sustainable growth and the creation of highly skilled jobs. Both play a key role in achieving long-term competitiveness. This is why financing innovation is one of the EIB's top priorities. In 2019, the EU bank provided €14.44 billion to finance different RDI projects. In Spain alone, last year the EIB made available over €1.32 billion in support of the innovation projects of Spanish companies.

This agreement is the second to be signed between the EIB and Dominion. The previous agreement was signed in 2016 and also lent support to several of the Spanish company's innovation projects. The EIB funds helped provide the company with the stability needed to develop its RDI strategy.

In line with the EU's priorities in the Investment Plan for Europe, ICO's road map includes support for cross-cutting innovation and digitalisation, promoting the financing of projects that favour investment in these areas to increase the competitiveness of Spanish companies and help create high quality employment opportunities.

The Instituto de Crédito Oficial (ICO) is a corporate state-owned entity attached to the Spanish Ministry of Economic Affairs and Digital Transformation. ICO has become a reference point for the financing of both SMEs and large investment projects. ICO contributes to inclusive and sustainable growth, supporting economic activities meriting promotion and development as a result of their social, cultural, innovative or environmental importance.

[Article – Covid-19: 10 things the EU is doing to ensure economic recovery](#)



Read our [timeline of EU measures to tackle Covid-19](#) for an overview of everything the EU is doing to help Europe cope with the crisis.

1. Providing massive economic stimulus

To help Europe recover from the devastating economic repercussions wrought by the coronavirus pandemic, the European Commission has proposed a [€750 billion stimulus plan](#), coupled with a revised proposal for the [EU's next long-term budget](#) (2021-2027). The plan – known as [Next Generation EU](#) – would see the Commission borrowing money on financial markets, using its high credit rating to secure low borrowing costs. The Parliament insists that the [Green Deal is at the heart of the recovery package](#) and [wants to avoid burdening future generations](#).

2. Supporting EU health systems and infrastructures

With several experts mentioning the possibility of a second wave or future pandemics, buttressing the EU's response capacity to health crises is key. To help Europe cope with future outbreaks, the EU launched [the new EU4Health programme](#), which will bolster member states' healthcare systems as well as fostering innovation and investment in the sector. [EU4Health](#) is part of the [Next Generation EU recovery plan](#). The Parliament had [insisted on the creation of a new stand-alone European health programme](#).

3. Protecting small and medium-sized businesses

Small and medium-sized enterprises represent [99% of all businesses in the EU](#),

making their survival crucial to the EU's economic recovery. The EU [unlocked €1 billion](#) from its [European Fund for Strategic Investments](#) to incentivise banks and lenders to provide liquidity to more than 100,000 European small businesses.

4. Mitigating unemployment risks

Jobs have been hard hit by the pandemic, with unemployment figures rising dramatically. To help workers in the wake of the Covid-19 crisis, the EU's [Support mitigating Unemployment Risks in Emergency \(Sure\)](#) initiative will provide [financial assistance of up to €100 billion to member states](#) in the form of loans granted on favourable terms to help cover the costs of national short-time work schemes.

5. Supporting the tourism industry

Another sector badly affected by the pandemic is tourism. [Europe is the world's number one tourist destination](#) and the EU [introduced a series of measures](#) designed to help the industry cope during the crisis, as well as a [package to reboot Europe's tourism](#) in 2020 and beyond. [Relief measures for the transport sector](#) were also introduced, to minimise the effects of the pandemic on airlines, railways, road and shipping companies. To help people travel in Europe as various countries gradually lift lockdown measures, the [Re-open EU](#) interactive tool provides travellers with the information they need to confidently plan their travel and holidays in the EU while staying healthy.

6. Banking package to support households and businesses

To ensure banks continue providing loans to businesses and households to mitigate the economic fallout from the crisis, the Parliament approved a [temporary relaxation of prudential rules](#) for European banks. Changes to the [capital requirements regulation](#) will enable pensioners or employees with a permanent contract to get loans under more favourable conditions, ensure credit flows to small and medium-sized enterprises and support infrastructure investment.

7. Supporting agriculture and fisheries

In order to avoid disruption to food supplies and prevent food shortages, the [Parliament approved emergency measures to help farmers and fishermen](#) affected by the Covid-19 pandemic. Measures include [supporting fishermen and aquafarmers who have had to stop their activity](#) during the crisis and an [increasing the support EU countries can give to small firms](#) dealing with farm food. Exceptional market measures were also introduced to [support EU wine](#),

[fruit and vegetable producers.](#)

8. Helping countries fund their crisis response

To help member states fund their coronavirus crisis response, the EU launched a new initiative, the [Coronavirus Response Investment Initiative](#). It will channel some €37 billion from EU structural funds to provide immediate financial support to EU countries trying to help people and regions face the current crisis.

9. Relaxing state aid rules

As the pandemic was beginning to spread throughout Europe, the EU launched a [Temporary Framework on State Aid](#) rules to ensure sufficient liquidity remains available to businesses of all types and help maintain economic activity during and after the Covid-19 outbreak. Member states will be able to grant up to €800,000 to a company to address urgent liquidity needs or grant loans with favourable interest rates.

10. Protecting weakened European businesses from foreign competitors

The economic impact of the coronavirus pandemic has left many European companies vulnerable to subsidised foreign competitors. To help protect businesses, the Parliament [called for a level-playing field](#) for all businesses, to avoid distortions to the single market stemming from unfair competition from foreign companies. The Commission also [launched a public consultation](#) on how to deal with the negative effects caused by foreign subsidies. In parallel, the EU [issued guidelines](#) for member states on foreign direct investment, urging them to thoroughly screen investments from outside the EU to avoid risks to the EU's security and public order.

Find out [10 things the EU is doing to fight the coronavirus](#)

[Council agrees its position on an instrument to support implementation of reforms for a sustainable recovery](#)



As part of its measures to foster the recovery from the COVID-19 crisis, the

EU will support member states' reform efforts to stimulate growth and put their economies back on track.

EU ambassadors today endorsed the Council's position on establishing a "technical support instrument". This instrument will help member states strengthen their administrative capacity to prepare and implement reforms, so as to foster their resilience and support their recovery.

The position agreed today will serve as the basis for the Presidency in its negotiations with the European Parliament which are set to start as soon as possible. However, it does yet not cover the budgetary aspects of the draft regulation since an agreement on the overall next Multiannual Financial Framework was achieved only yesterday.

The proposed technical support instrument is a successor to the structural reform support programme. It will ensure that the Commission can continue to provide tailor-made expertise on the ground and that member states have the necessary institutional and administrative capacity to develop and implement growth-enhancing reforms.

More specifically, the technical support instrument is also meant to complement the Commission proposal for a recovery and resilience facility that will provide large scale financial support for public investments and reforms in order to foster member states' recovery from the COVID-19 crisis. The instrument will in particular support member states in the preparation and implementation of their recovery and resilience plans. The Council position also includes the possibility for member states to provide additional resources for technical assistance they will receive from the EU.


Next steps

On the basis of this partial negotiating mandate, the Presidency will start negotiations with the Parliament as soon as the Parliament has adopted its position.

[Suspected fraud with diesel defeat devices in Germany, Italy and Switzerland](#)



The Hague, 22 July 2020

 **Judicial authorities in Germany are conducting an in-depth fraud investigation on the use of more than 200 000 diesel 'defeat devices' in cars**

produced by an international automotive group and international commercial vehicle manufacturer, as well as their subsidiaries.

Coordinated searches to gather evidence are being carried out in Germany, Italy and Switzerland. The action was planned and coordinated with the support of Eurojust to ensure secure and efficient information exchanges between involved judicial and law enforcement authorities, agree on joint prosecutorial strategies and prepare operational actions, including today's searches.

The Frankfurt am Main Prosecution Service – Center for Commercial Criminal Matters – is leading the investigation in Germany against a number of responsible people working in the international automotive group.

The investigation is focused on the suspicion that diesel engines installed in several car models sold by the company would be equipped with an illegal defeat device.

Whereas the vehicles meet the emissions standards under test conditions, the defeat device allegedly effectively shuts down the emissions control system in real drive conditions. Such defeat devices are illegal according to the European Union regulations in place. Vehicles with defeat devices are not approved for road usage in the EU and consumers with such devices installed in their cars face possible driving bans. In Germany, more than 200 000 vehicles are subject to the investigation, including larger vehicles, such as camper vans.

The Prosecutor Office of Turin, Italy, is also investigating the crime of fraud in the framework of a parallel proceeding linked to the same case.

Today, investigators from Germany, Italy and Switzerland have started searching three commercial properties of a company located in Baden-Württemberg and Hesse (Germany), as well as in three locations in the Piedmont region (Italy) and one location in the canton of Thurgau (Switzerland), to gather evidence on the defeat device, the marketing of vehicles and individual responsibility linked to these action. The duration of the ongoing searches is currently unknown. In addition, UK authorities have ordered two companies in London to produce relevant documents.

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