Questions and Answers on the MFF and Next Generation EU

Brussels, 27 May 2020

GENERAL QUESTIONS

What is the Commission proposing today?

The Commission has today proposed a stronger EU budget to address the immediate economic and social damage brought by the coronavirus pandemic; kickstart a sustainable recovery and protect and create jobs.

Today's proposals are based on:

- An emergency **Next Generation EU** instrument of €750 billion to temporarily boost the financial firepower of the EU budget with funds raised on the financial markets. The funds raised will be channelled through EU programmes to underpin the immediate measures needed to protect livelihoods, get the economy back on its feet and foster sustainable and resilient growth.
- A reinforced **multiannual financial framework for 2021-2027** to channel investment quickly to where it is needed most, reinforce the single market, step up cooperation in areas such as health and crisis management, and equip the Union with a long-term budget to drive the green and digital transitions and build a fairer and more resilient economy.

Together with the three important safety nets for workers, businesses and sovereigns, amounting to a package worth €540 billion, endorsed by the European Council on 23 April 2020, these exceptional measures taken at the EU level would reach €1,290 billion of targeted and front-loaded support to Europe's recovery.

What is the overall level of the proposal?

Next Generation EU will reinforce the EU budget by additional €750 billion.

This will be a temporary emergency tool, created to jump-start Europe's recovery and provide support to the parts of our economy that need it most.

The financial framework for 2021-2027 proposed by the Commission in 2018, as reinforced by the Just Transition Mechanism and the changes proposed today, remains the essential point of reference for the final phase of negotiations.

Next Generation EU as well as targeted reinforcements to the long-term EU budget for 2021-2027 will bring the total financial firepower of the EU budget to €1.85 trillion.

The European Development Fund, which is currently an intergovernmental agreement funding the development policy in countries in Africa, Caribbean and the Pacific amounting to €30 billion in the 2014-2020 period, remains integrated in the next EU budget.

The core of the initial Commission proposal of May 2018 remains valid.

At the same time, we need to acknowledge the advancement of the negotiations and the options for compromise that have been discussed by Member States.

Which are the instruments under today's proposal and how will they be deployed over time?

The package is built on three pillars: instruments to support Member State efforts to recover, repair and emerge stronger from the crisis; measures to boost private investment and support ailing companies; and the reinforcement of key EU programmes to draw the lessons of the crisis and make the single market stronger and more resilient and accelerate the twin green and digital transitions.

1) PILLAR 1 - Supporting Member States to recover, repair and emerge stronger from the crisis

Investment has a vital role to play in a balanced and sustainable recovery. Therefore the Commission proposes to use a range of instruments to support investment and reforms in the Member States, focusing on where the crisis impact and resilience needs are greatest:

- **A new Recovery and Resilience Facility of €560 billion to be used for investments and reforms for recovery and resilience,** including in relation to the green and digital transitions, in line with the objectives identified in the European Semester. Member States will submit national Recovery and Resilience plans as part of their National Reform Programmes, coherent with the long-term strategies of the Union, the Member States' national energy and climate plans, as well as with the Just Transition plans whenever relevant. The focus will be on investment and reforms for long-term growth and the resilience of economies. The facility will be available to all Member States but will specifically target the Member States most affected and where resilience needs are the greatest. It will be equipped with a grant facility of up to €310 billion and will be able to make up to €250 billion available in loans.
- The **REACT-EU initiative** will provide €55 billion of additional cohesion policy funding between now and 2022, €50billion from Next Generation EU in 2021 and 2022 and €5billion already in 2020 by adapting the current multiannual financial framework. This will include the exceptional flexibility introduced earlier this year, such as simplified procedures, the possibility to transfer resources between funds and categories of regions, and a relaxation of the rules on co-financing - thus enabling financing entirely by the EU budget. The additional funding will be allocated based on the severity of the economic and social impacts of the crisis, including the level of youth unemployment and the relative prosperity of Member States. Under this proposal, additional funding will be provided in 2020-2022 for the current cohesion programmes as well as for the Fund for European Aid to the Most Deprived. In this way, funding for key crisis repair measures and support to the most deprived will continue without interruption.
- Beyond the immediate crisis response, **cohesion policy** will be crucial to ensuring a balanced recovery in the longer term, avoiding asymmetries and divergences of growth between and within Member States. It is therefore essential for the Union's strategic priorities to launch the new cohesion policy programmes on 1 January 2021.

To help the most vulnerable among us – young people and children in poverty - the Commission proposes changes to the **European Social Fund Plus**. Member States with youth unemployment levels above the EU average should programme at least 15% of these funds to support young people. At least 5% of the funds should be used to help lift children out of poverty.

- To support the transition towards climate neutrality, the Commission is proposing to strengthen the Just Transition Fund up to €40 billion. Increased funding for InvestEU will also mean that the second pillar of the Just Transition Mechanism will be reinforced. The Commission is also making proposals to set up the new public sector loan facility that forms the third pillar of the **Just Transition Mechanism**. This will be supported by €1.5 billion from the EU budget and €10 billion in lending by the European Investment Bank. The three pillars of the Just Transition Mechanism will help alleviate the socio-economic impacts of the transition in the regions most affected and make sure nobody is left behind.
- The Commission is also proposing to reinforce the budget for the European Agricultural Fund for Rural Development by €15 billion to support farmers and rural areas in making the structural changes necessary in line with the European Green Deal. This will also help to achieve the ambitious climate and environmental targets in the new biodiversity and Farm to Fork strategies.

2) **PILLAR 2 – Kick-starting the economy and helping private investment get moving again.**Urgent action is needed to kick-start the economy and create the conditions for a sustainable recovery led by private investment in key sectors and technologies. The Commission is therefore proposing:

- A new **Solvency Support Instrument** will use the EU budget guarantee to mobilise private resources to urgently support the equity of viable European companies from all economic sectors. This instrument will be temporary and targeted solely and strictly at addressing the impact of the pandemic. It will help to avoid massive defaults of viable companies and the severe economic damage this would cause, as well as contribute to their green and digital transformation. It will be part of the European Fund for Strategic Investments. With provisioning in the EU budget of €5billion from the current financial framework in 2020 to ensure a fast start and an additional €26 billion from Next Generation EU, the Union budget will provide a guarantee of about €75billion to the European Investment Bank Group, which will ensure rapid delivery on the ground. The instrument will aim for an investment level of €300billion in solvency support.

- **Strengthened InvestEU,** which is uniquely suited to mobilising investment and supporting Union policies during the recovery in areas such as sustainable infrastructure, innovation and digitisation. The Commission is proposing to upgrade InvestEU to a level of €15.3 billion for the four policy windows already agreed by the co-legislators. This could trigger investment of over €240billion.

Moreover, within InvestEU, the Commission is proposing to create a **Strategic Investment Facility** to increase Europe's resilience by building strategic autonomy in vital supply chains at the European level, while maintaining its openness to competition and trade in line with its rules.Thanks to provisioning of €15 billion from Next Generation EU, the new facility would provide an EU budget guarantee of €31.5 billion and could generate investments of up to €150 billion in strategic sectors and key value chains, including those crucial to the twin green and digital transitions.

3) PILLAR 3 - Learning the lessons of the crisis and addressing Europe's strategic challenges

The crisis has both underlined the value of European cooperation and demonstrated vividly that the Union must urgently build up its capacity to respond to crises and build resilience to future shocks. The Commission is proposing:

- A new **Health programme, EU4Health,** of €9.4 billion to ensure that the Union is equipped with the critical capacities to react to future crises rapidly and with the necessary scale.It will be designed and implemented in full respect of the division of competences between the EU and its Member States in the area of health;
- A €2 billion increase for **rescEU, the Union's civil protection mechanism,** to make it more flexible and increase the Union's capacity to act together at EU level;
- An upgrade for **Horizon Europe to €94.4 billion**, to increase European support for health and climate-related research and innovation activities;
- An increase of the **Neighbourhood, Development and International Cooperation Instrument to €86 billion**, via a new External Action Guarantee, and additional €1 billion for the **European Fund for Sustainable Development** to support partners – in particular in the Western Balkans, the Neighbourhood and the rest of Africa – in their efforts to fight and recover from the impact of the pandemic;
- An increase of €5 billion for the **Humanitarian Aid** Instrument, reflecting growing humanitarian needs in the most vulnerable parts of the world.

The crisis has clearly illustrated that in several key areas the levels of support discussed by Leaders in February will not be sufficient. In addition to the reinforcements under Next Generation EU, the Commission proposes to strenghten further programmes so they can play their full role in making the Union more resilient and addressing challenges brought along by the pandemic and its consequences:

- o Boosting the Union's cyberdefences and supporting the digital transition by equipping the **Digital Europe Programme** with a total budget of €8.2 billion;
- o Investing in an up-to-date, high-performance transport infrastructure to facilitate cross-border connections, such as Rail Baltica, through an additional €1.5 billion for the **Connecting Europe Facility**;
- o Creating the conditions for a well-functioning single market driving recovery by maintaining the proposed budgets for the **Single Market Programme** and for programmes supporting cooperation in the fields of **taxation and customs** at a level of €3.7 billion, €239 million and €843 million respectively;
- o Investing in young people through an additional€3.4 billion for **Erasmus Plus**, as well as in the cultural and creative sectors through an increase of **Creative Europe** to a level of €1.5 billion;
- o Strengthening the resilience of the agri-food and fisheries sectors and providing the necessary scope for crisis management through an additional €4 billion for the **Common Agricultural Policy** and for the **European Maritime and Fisheries Fund** of €500 million;
- o Reinforcing the **Asylum and Migration Fund and Integrated Border Management Fund**

to reach a levelof€22 billion together, to step up cooperation on external border management as well as migration and asylum policy;

- Ensuring strong support for European strategic autonomy and security by increasing the **Internal Security Fund** to €2.2 billionand strengthening the European Defence Fund to a level of €8 billion.
- Supporting our partners in the Western Balkans by bringing the Union's pre-accession assistance to a total of €12.9 billion.
- Taken together, these targeted adjustments, compared to the negotiation box put forward by the President of the European Council in February 2020, will ensure that the EU's next long-term financial framework is better aligned with the Union's priorities and ambitions and tailored to building its resilience and strategic autonomy in the medium- and long-term.

How will you make sure that the budget is fit to react to future crises?

The current crisis has once again shown that the EU needs a flexible budget to be able to react to any unforeseen challenges. The Commission therefore proposes to reinforce flexibility and emergency tools for the period 2021-2027, notably:

- **The EU Solidarity Fund**, which provides support to Member States and regions affected by large scale disasters;
- **The European Globalisation Adjustment Fund**, that supports the reintegration in the labour market of workers who lose their jobs as a result of major restructuring events;
- **The Solidarity and Emergency Aid Reserve**, that can reinforce EU action in response to health and other crises.

Together, these instruments would provide for up to €21 billion additional emergency financing over the 2021-2027 period compared to the Commission's proposals of 2 May 2018.

Are the amounts that you are presenting today in current or in constant prices?

The ceilings of the multiannual financial framework are defined in constant 2018 prices and the Commission is making its proposals on that basis. [In parallel and for transparency, the Commission is providing information in both 2018 and current prices.]

How does the size of Next Generation EU compare to the needs of the European economy which faces a deep recession?

The Commission published today a Staff Working Document with an analysis of the damage that the coronavirus crisis has caused on the European economy. It covers, on the one hand, the needs related to equity losses for European companies and, on the other hand, the expected investment gaps in 2021 and 2022.

According to the Commission findings, equity losses resulting from lower profits in 2020 and 2021 will range between €700 billion and €1.2 trillion. The effects may be more severe in certain sectors such as tourism and transport. In addition, cross border implications in relation with the functioning of the single market are expected.

The analysis also identifies an expected investment gap in 2021 and 2022 of at least €1.5 trillion. This includes basic investment gaps directly linked to the crisis, additional needs revealed by the crisis, as well as investments not directly linked to the crises but needed to achieve the green and digital transformations.

In today's proposal, the Commission puts forward instruments that would address both the solvency needs of European companies and the overall investments needs of the economy. In addition, the EU budget remains a crucial tool to deliver on sustainable growth and jobs based on a twin green and digital transition.

The EU budget with Next Generation EU at its heart is a powerful tool to address the effects of the crisis. It complements the efforts already taken at national and European level. Efforts by private investors will likewise play an important part in adressing the identified needs.Together with the three important safety nets for workers, businesses and sovereigns endorsed by the European Council on 23 April and amounting to a package worth €540 billion, these exceptional measures taken at the EU level would reach €1,290 billion of targeted and front-loaded support to Europe's recovery. Applying conservative estimates of the leverage effect of the multiannual financial framework and Next Generation EU, the total investment that could be generated by this package of measures amount to €3.1 trillion.

How do these proposals relate with your proposal from May 2018?

In May 2018, the Commission put forward its proposal for a long-term budget, tightly geared to the political priorities of the Union at 27 and taking into account the budgetary consequences of the withdrawal of the United Kingdom.

Today, the Commission stands by these proposals, which are now being strengthened and adapted to power Europe's recovery in a futureproof way for the next generation.

In addition, the Commission is augmenting the budget firepower through the resources channelled via Next Generation EU. This will give the EU budget the necessary firepower to kick-start the economy and show solidarity among Member States.

This will be a one-off emergency instrument, put in place for a temporary period and used exclusively for crisis response and recovery measures. Raising funding on the financial markets will help to spread the financing costs over time, so that Member States will not have to make significant additional contributions to the EU budget during the 2021-2027 period. The funds will be channelled through the EU budget to Member States to support investment and reform priorities, and will be used to reinforce financial programmes key to recovery.

The financial framework for 2021-2027 proposed by the Commission in 2018, as reinforced by the Just Transition Mechanism and the changes proposed today, remains the essential point of reference for the final phase of negotiations. The architecture proposed, the level of support, the balance between priorities, and key features such as the target of at least 25% of spending contributing to climate action, and measures to support gender equality and non-discrimination are all necessary for a balanced recovery package. The Commission's proposal for a Regulation on the protection of the EU budget against generalised deficiencies in the rule of law is another key feature.

The strong measures to protect the budget against fraud and irregularities already place will be strengthened further. The European Anti-Fraud Office (OLAF) and the European Public Prosecutor's Office (EPPO) will exercise their control and investigation powers.

Are the Green Deal and Digital transition still priorities?

Climate neutrality and the digital future are essential to Europe's long-term resilience, growth and prosperity.

As the EU's growth strategy, the European Green Deal – including the Just Transition Mechanism proposed in January - and the Union's digital and industrial strategies are vital for the EU's sustainable recovery and remain the indispensable reference points for Europe's longer-term competitiveness.

The twin transitions continue to be at the heart of today's proposals as they are critical to bounce our economy forward and prepare the future for the next generation. Investments and reforms to advance them will therefore have to be included in all national Recovery and Resilence Plans. All supported activities should be pursued in full respect of the climate and environmental priorities of the Union.

An enhanced InvestEU programme will be able to provide crucial support to companies in the recovery phase and at the same time ensure a strong focus of investors on the Union's medium- and long-term policy priorities such as the European Green Deal and the digitalisation challenge.Investing in a large scale renovation wave, in clean hydrogen, in renewable energies, clean transport, sustainable food and a smart circular economy has enormous potential to get Europe's economy growing. Investing in digital infrastructure and skills will help boost competitiveness and technological sovereignty. Investing in resilience to future health challenges, biodiversity as well as Europe's strategic autonomy will make the Union better prepared for future crises.

What will happen with the cohesion policy in the next MFF?

The **REACT-EU initiative** will provide additional cohesion policy funding between now and 2022. This will include the exceptional flexibility introduced earlier this year under the Coronavirus Response Investment Initiatives, including simplified procedures, the possibility to transfer resources between funds and categories of regions, and a relaxation of the rules on co-financing - thus enabling financing entirely by the EU budget.

Building on this, the Commission is now proposing targeted modifications to the **new generation of cohesion policy programmes** to make them better fit to help the post-crisis recovery. They should operate in complementarity to the REACT-EU initiative and under more flexible rules and allow for quicker reaction to emergency situations at national and regional level. Under the adjusted proposals that the Commission is putting forward today, additional flexibility is granted to Member States to transfer resources among funds, and to enable phasing of operations which could not be completed under the 2014-2020 programmes. Over the period 2021-2027, cohesion policy will maintain its long-term role for growth and in the transition to a more resilient, greener and digital Europe.

How will you make sure that the money under these instruments goes to the Member States most concerned?

With today's proposal, the Commission aims to channel money to where the needs are. For this and depending on the nature of the programme, the Commission will work with each Member State to guarantee that every euro contributes to repair, recovery and resilience. More concretely:

- The **Recovery and Resilience Facility will be** accessible toall Member States but support will be concentrated on the parts of the Union most affected and where resilience needs are the greatest. This will help counteract the widening divergences between Member States.
- The top-up cohesion funding under **REACT-EU** will be allocated based on the severity of the economic and social impacts of the crisis, including the level of youth unemployment and the relative prosperity of Member States.
- The **Solvency Support Instrument** will ensure that the equity support is targeted at those companies that are in the greatest need of capital across all Member States and sectors. The focus will be on Member States which are less able to intervene through state aid and where the economic effects of the coronavirus pandemic have been most severe, in the most affected sectors.
- When it comes to **cohesion policy**, to ensure adequate support to Member States and regions most in need, the Commission will review the cohesion allocations in 2024, taking into account the latest available statistics, with upward adjustments only. This review will lead only to upward adjustments of up to €10 billion for all Member States.

The Commission will work with Member States' national authorities to make sure that the additional support being proposed today will start flowing as quickly as possible, going to where the needs are.

Based on the principles of solidarity and fairness, today's proposals seek to rebuild the European economy and make it fairer, more resilient and more sustainable for future generations.

How quickly do these legislative proposals have to be approved by the European Parliament and the Council to become a reality?

At this time of extraordinary hardship and uncertainty, the Union needs more than ever to show that it is ready and willing to act decisively and chart a path to a better tomorrow. Agreement on an ambitious recovery plan with the EU budget at its heart will give the Union the best possible chance of success.

The European Commission invites the European Council and the co-legislators to examine these proposals rapidly, with a view to reaching a political agreement at the level of the European Council by July.

An early decision on the proposal to amend the current framework would allow additional funding to be made immediately available for REACT-EU, the Solvency Support Instrument and the European Fund for Sustainable Development, reflecting the urgency of these needs.

The Commission will then work closely with the European Parliament and the Council to finalise an agreement on the future long-term framework and the accompanying sectoral programmes. Completing this work in the early autumn would mean that the new long-term budget could be up and running, and driving Europe's recovery on 1 January 2021.

The amendment of the Own Resources Decision requires approval by all Member States in accordance with their constitutional requirements.

Acting now will show a Union ready to do whatever is necessary to get the economy back on track, to protect the livelihoods of all Europeans, and to invest in Europe's long-term transition to a fairer, greener and digital future.

Do you maintain your proposal to link EU funds with the rule of law?

The Commission fully maintains its rule of law proposal of May 2018, which introduces a new mechanism protect the EU budget from financial risks linked to generalised deficiencies regarding the rule of law in the Member States.

The goal of this mechanism is to ensure sound financial management of the Union's budget and to protect taxpayer's money. The proposed rules would allow the Union to **suspend, reduce or restrict access to EU funding** in a manner **proportionate** to the nature, gravity and scope of the rule of law deficiencies.

In the course of the negotiations, this proposal has been positively received by Member States and should be part of the final agreement.

In addition, strong measures to protect the budget against fraud and irregularities are in place and the Commission will strengthen them further. The European Anti-Fraud Office (OLAF) and the European Public Prosecutor's Office (EPPO) will exercise their control and investigation powers.

FINANCING

How will all the new instruments be financed?

To finance the proposed recovery measures, the Commission will borrow up to €750 billion on the financial markets on behalf of the Union, for recovery measures over the period 2021-2024.

To make this possible, the Commission will use the headroom – the difference between the Own Resources ceiling of the long-term budget (the maximum amount of funds that the Union can request from Member States to cover its financial obligations) and the ceiling on the actual spending (MFF payment ceiling).

To achieve that, the Commission proposes to amend the Own Resources Decision – the legal text which sets the conditions to fund the EU budget – to allow borrowing and to and increase the Own Resources ceiling on an exceptional and temporary basis **by 0.6 percentage points. This increase will come on top of the permanent Own Resources ceiling -** 1.4% of EU gross national income which is proposed on the account of economic uncertainties and Brexit.

The increase of 0.6 percentage points will be limited in time and will only be used in the context of the recovery from the coronavirus pandemic. This increase in the Own Resource ceiling will expire when all funds have been repaid and all liabilities have ceased to exist.

With the EU budget headroom as guarantee, the EU will be able to issue debt on relatively advantageous terms compared to many individual Member States.

The funds raised will be repaid from future EU budgets starting after 2027 and by 2058 at the latest, from future EU budgets. The loans will be repaid by the borrowing Member States. To facilitate the repayment of the market finance raised and further help reduce the pressure on national budgets, the Commission will propose additional new own resources – on top of the already proposed ones - at a later stage of the 2021-2027 financial period. These will be closely linked to the EU priorities (climate change, circular economy and fair taxation).

What is the Own Resources ceiling? What is the headroom?

The Own Resources ceiling determines the maximum amount of own resources the Commission can call from Member States in any given year to finance expenditure. This gives certainty and predictability to Member States for their budgetary and financial planning. A sufficiently high ceiling allows the Union to cover all of its financial obligations and contingent liabilities falling due in a given year.

In the EU budget, there is also a payment ceiling – the maximum amount of payments to be made on past commitments.

The difference between the Own Resources ceiling and the payment ceiling under the long-term budget plus the amount of other revenue (e.g. taxes on the salaries of EU staff and competition fines) is referred to as headroom.

A sufficient headroom is necessary to ensure that the Union is able – under any circumstances – to fulfil its financial obligations, even in times of economic downturns. This is important for maintaining the high EU credit rating.

An increased Own Resources ceiling – as proposed by the Commission – would mean that, if needed, the Commission would be able to draw additional resources from the EU Member States.

In this way, it would be possible to preserve the high credit rating of the EU, reduce the borrowing costs and the subsequent repayment costs for Member States.

Where is the money for the EU's next long-term budget coming from?

The revenue sources of the EU budget have remained the same over the last decades: customs duties, contributions from the Member States based on value added tax (VAT) and those based on gross national income (GNI).

In May 2018, the Commission proposed to retain these sources of financing, simplifying and streamlining them. In addition, the Commission proposed to diversify the sources of revenue with a basket of new own resources which will contribute to the EU priorities such as climate change, the circular economy and fair taxation. This included revenue linked to the Emissions Trading System, a national contribution calculated on the basis of non-recycled plastic packaging waste in each Member State and a resource based on a common consolidated corporate tax base.

Today, the proposal from May 2018 remains valid.

In addition, the Commission will use the headroom of the budget to raise funds on the capital markets and finance the new and reinforced tools focused on fighting the crisis and its consequences.This will be an exceptional and temporary solution which will build on the existing capital-raising activities by the Union and its high credit rating.

To facilitate the repayment of the market finance raised and further help reduce the pressure on national budgets, the Commission will propose additional new own resources at a later stage of the 2021-2027 financial period. These could include:

- Extension of the Emissions Trading System-based own resources to the maritime and aviation sectors – to generate €10 billion per year;
- Carbon border adjustment mechanism – to raise €5 billion to €14 billion per year;
- Own resource based on operations of companies that that draw huge benefits from the EU single market, which depending on its design, could yield around €10 billion annually;
- Digital tax on companies with a global annual turnover of above €750 million – to generate up to €1.3 billion per year.

Taken together, these new own resources could help finance the repayment of and the interest on the market finance raised under the Next Generation EU. How will national contributions change compared to the data you had published in the autumn of last year?

The exact size of national contributions will only be known once the Member States have agreed on the next long-term budget. They will remain the main source of revenue to finance the MFF.

In view of the constraints that Member States are currently facing, Next Generation EU will not require immediate additional national contributions to the long-term budget by Member States. Repayment of the funds raised will follow after 2027 over a long-time horizon from future long-term budgets in the form i.a. of new own resources, increased national contributions, roll-over of borrowing, or a combination of these possibilities.

To facilitate the repayment of the market finance raised and further help reduce the pressure on national budgets, the Commission will propose additional new own resources at a later stage of the financial period.

What is the legal basis to make this proposal for financing of the Next Generation EU?

The scale of the Next Generation EU and its design reflect the magnitude and urgency of the challenges facing the Union. The financing needs for urgent investments arising in the wake of the crisis are unprecedented. A decisive and extraordinary response at Union level is therefore necessary. The unprecedented nature of this operation and the exceptional amount of those funds call for anchoring them in the system of own resources, which is approved by all Member States in accordance with their constitutional requirements.

This is why the Commission is proposing changes to the Own Resources Decision, which needs to be approved by all Member States according to their constitutional requirements.

By when should this be agreed to make this happen? Is this feasible?

The amendment of the Own Resources Decision requires a unanimous decision of all Member States and approval according national constitutional requirements. The Commission expects this to happen as quickly as possible.

To bridge the transitional period until ratification of the amended Own Resources Decision, and make much needed funding available to workers, businesses and Member States already in 2020, the Commission is proposing to adjust the current 2014-2020 long-term budget in order to allow for higher spending still in 2020. €11.5 billion will be available to help regions most in need (through REACT-EU), strengthen capital of viable European companies (Solvency Support Instrument) and support those in need outside EU borders (through the European Fund for Sustainable Development (EFSD)).

Has the Commission issued debt under the headroom in the past? How did this work?

The EU currently has three loan programmes to provide financial assistance to countries experiencing financial difficulties, all three of which are funded through bonds issued on the capital markets: the Balance of payments assistance, the European Financial Stability Mechanism and Macro-Financial assistance to non-EU partner countries. On 2 April, the Commission has proposed another instrument financed in a similar way (but backed by national guarantees), the Support to mitigate Unemployment Risks in an Emergency instrument, or the short-term unemployment scheme SURE.

To date, financial obligations under these schemes have always been met without the need for additional contributions by Member States.

How will the borrowing work? How will the Commission manage these volumes of debt issuance?

To raise the necessary funding, the Commission will issue bonds on the financial markets on behalf of the EU. The Commission will borrow up to €750 billion, the bulk of it concentrated in the period 2020-2024. The Commission will channel the funds to the new or reinforced programmes, or lend the money to the Member States in need under the terms of the original emission (same coupon, maturity and for the same nominal amount). In this way, Member States will indirectly borrow under very good conditions, benefitting from the EU's high credit rating and relatively low borrowing rates compared to several Member States.

The timing, volume and maturity of the bonds issued will depend on the needs of the EU and its Member States. The maturity of the newly issued bonds will vary from 3 to 30 years.

Is your proposal to get rid of the rebates still valid?

Historically, rebates – or corrections to Member States' national contributions to the EU budget – were originally introduced to the benefit of the United Kingdom. Over the years, a number of other Member States have also been benefitting from a complex system of corrections and rebates.

In May 2018, the Commission proposed to eliminate all corrections on the revenue side (rebates).

The Commission continues to take the view that phasing out all rebates will make the long-term budget more balanced. However, in the present situation, given the economic impact of the coronavirus pandemic, phasing out of rebates would entail disproportionate increases of contributions for certain Member States in the next long-term budget. To avoid this, the current rebates could be phased out over a much longer period of time than foreseen by the Commission in its proposal in 2018.

MORE INFORMATION

Recovery Plan Communication: "Europe's moment: Repair and Prepare for the Next Generation"

EU Budget Communication: "The EU budget powering the recovery plan for Europe"

Staff Working Document

Website for the MFF proposals

Website on the Commission's coronavirus response

IP: Europe's moment: Repair and prepare for the next generation

Factsheet 1The EU budget powering the Recovery Plan for Europe

Factsheet 2 Key instruments supporting the Recovery Plan for Europe

Factsheet 3 Financing the Recovery Plan for Europe

Speech of President von der Leyen in European Parliament

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