

# A good deal for citizens

## The next EU long-term budget 2021-2027, new sources of revenue and the Recovery Instrument – Next Generation EU

On 10 November 2020, after 10 weeks of negotiations the European Parliament's negotiating team reached an overall political agreement with the Council Presidency and the Commission on the next EU long-term budget (MFF 2021-2027). Parliament secured an **extra €15 billion for eight key EU programmes of direct benefit to citizens** to improve lives across Europe.

### Significant improvements

During the three-way negotiations between Parliament, Council and the Commission, Parliament's negotiators secured **significant improvements** to the European Council position of 21 July 2020. The three institutions also reached a provisional agreement on 5 November on the proposed regulation on protecting the EU budget from breaches of the rule of law.

### New streams of EU revenue

Parliament fought hard to secure a legally binding roadmap on the **introduction of new streams of EU revenue**. This will ensure that the repayment costs of the COVID-19 recovery do not fall on Europe's taxpayers or lead to reductions of EU programmes.

The political compromise covers the MFF 2021-2027, a system of new own resources and increased democratic scrutiny and transparency of the Recovery Instrument (Next Generation EU).

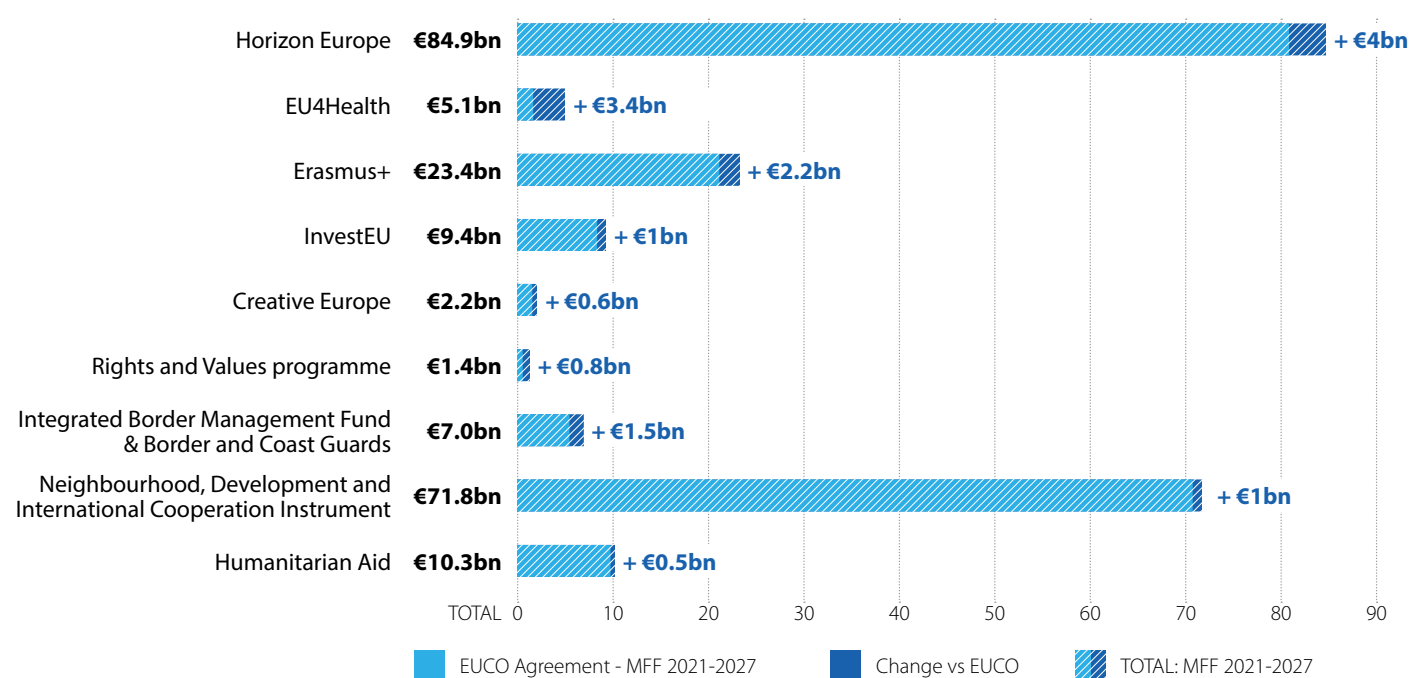
### Cornerstones of the agreement

- A long-term budget of €1 074.3 billion (progressively increased to €1 085,3 billion), with most existing policies safeguarded or increased + new programmes for defence, the digital and just transition.
- A recovery instrument of €750 billion (390 billion of grants and 360 billion of loans) firmly anchored in the Union framework.
- Fresh sources of revenues: a new contribution based on plastic waste and a roadmap to new own resources.

### What Parliament achieved

- €16 billion more for the next 7 years: €15 billion for key EU programmes and €1 billion additional flexibility
- Roadmap to repay recovery debt by fresh sources of revenues, so not to burden the regular taxpayer or by cutting EU programmes
- Protect the EU budget from breaches of the Rule of Law
- More democratic decision-making, scrutiny and transparency: Parliament to be better involved in the implementation of the Recovery Fund, in the establishment of future crisis mechanisms and in the future MFF and Own Resources negotiations
- An EU budget in support of green transition and equal opportunities

## Top-ups to key EU programmes – including Next Generation EU (All amounts in EUR billion, 2018 prices)



Source: European Parliament

## Responding to COVID-19 and investing in the future

- €4 billion for Horizon Europe (total of €84.9bn)
- €3.4 billion for EU4Health (tripled to a total of €5.1 bn)
- €2.2 billion for Erasmus+ (€2.2bn - equivalent of 1 year of Erasmus)
- €1 billion for InvestEU (meaning more than €50bn additional private investment)

## Promoting Europe's culture and values

- €600 million for Creative Europe (total of €2.2bn)
- €800 million for the Rights and Values Programme (more than doubled to a total of €1.4bn)

## Managing future emergencies and enhancing the EU's role in the world

- €1.5 billion extra for the Integrated Border Management Fund and Frontex (total of €7bn)
- €1 billion for the new Neighbourhood, Development and International Cooperation Instrument (NDICI)
- At least €500 million more for Humanitarian Aid
- €1 billion for the Flexibility instrument

The overall ceiling for the MFF 2021-2027: €1 074.3 billion in 2018 prices, will be progressively increased to €1 085.3 billion, thus exceeding by 2 billion in real terms its 2014-2020 equivalent (EU-27)

## A roadmap for new sources of revenue for the EU budget – step by step

- 1 January 2021** • Introduction of a contribution based on plastic waste
- 1 January 2023 at the latest** • Introduction of own resources based on a carbon border adjustment mechanism and the Emissions Trading System, as well as a digital levy
- 1 January 2026** • Introduction of further new own resources, which could include a Financial Transaction Tax and a financial contribution linked to the corporate sector or a new common corporate tax base

Setting up this **legally binding roadmap** starting in January 2021 is a historic commitment. This will meet the purpose of repaying at least the €390 billion debt that will be incurred by the borrowing for the Recovery Fund grants that will help the EU to rebuild after the COVID pandemic.

This means that financing the recovery will be borne by polluters or corporate actors that are currently not subject to fair taxation. It will thus not be at the expense of the regular taxpayer or at the expense of beneficiaries of future EU programmes. The roadmap is enshrined in the Interinstitutional Agreement (IIA) between the Council, the Parliament and the Commission, which establishes a cooperation and provides for arrangements that are binding on the three institutions, including the launch of a regular dialogue.

## New Own Resources supporting Europe's Recovery

The MFF will be supplemented by a Recovery Instrument of €750 billion borrowed on the financial markets (including €390 billion of grants or direct budget expenditure).

- Sufficient own resources to cover repayments and interest rates
- Regular tax payer will be protected
- Interest costs and repayments will not reduce money available for EU programmes

## A budget in tune with EU long-term priorities

- 30% of overall spending to support climate action and objectives
- 10% of spending (from 2026 onwards) to protect our biodiversity (7.5% from 2024)
- Improved tracking of climate expenditure
- Gender equality mainstreamed in the budget

## Safeguarding EU funding

- A broader concept of breaches of the rule of law
- A strong preventive aspect - the mechanism can be triggered when there is a serious risk of a breach
- Final beneficiaries are protected
- Shorter deadlines for action

## More democratic decision-making, parliamentary scrutiny and transparency

Stronger parliamentary scrutiny of the deployment of Next Generation EU funds to be better integrated in the annual budget procedure by Parliament and Council.

Future activation of Art. 122 TFEU for crisis assistance will be subject to a prior budgetary scrutiny procedure involving the European Parliament.

Future MFF and new Own Resources will be prepared in an enhanced dialogue with the European Parliament.

## Rule of Law mechanism

On 5 November 2020, the Parliament and the Council reached a historic provisional agreement on a general regime for the protection of the EU budget against breaches of the rule of law, the Rule of Law Conditionality Mechanism.

The new Rule of Law Mechanism links the receipt of EU funds (with exclusive EU competence) to the respect of EU fundamental rights and values. The European Commission will trigger the mechanism and Council will have 1 month to adopt the withholding of funds by Qualified Majority Voting (QMV). Final beneficiaries will not lose out as a result of their government's failings to respect the rule of law.

## Clearing the way for the Recovery Instrument

The financing of the MFF 2021-2027 and the Recovery Instrument (NGEU) will be made possible by a new Own Resources Decision.

This empowers the EU to borrow on the financial markets. It also sets the Own Resources ceiling for payments at 1.40% of the EU's GNI - temporarily increased by 0.6 percentage points to back the new borrowing capacity.

On 16 September 2020, Parliament adopted its legislative opinion on the new draft Council decision on the System of Own Resources of the European Union (Own Resources Decision). The European Parliament thereby cleared the way for the launch of the EU's Recovery Instrument, as the Own Resources Decision is necessary to enable the European Commission to start borrowing funds on the financial markets to finance the Next Generation EU.

## Next steps – Council and Parliament must formally ratify the agreement

The Council approves the MFF agreement and refers it to the European Parliament, including the interinstitutional Agreement, IIA. The Budgets and Constitutional Affairs Committees then endorse the MFF regulation and IIA respectively, before plenary can vote on its consent. After the Council has formally adopted it, it can be published in the EU's Official Journal.