



European
Commission

THE EU BUDGET POWERING THE RECOVERY PLAN FOR EUROPE

#EUBudget #EUSolidarity #StrongerTogether

27 May 2020



"The recovery plan turns the immense challenge we face into an opportunity, not only by supporting the recovery but also by investing in our future: the European Green Deal and digitalisation will boost jobs and growth, the resilience of our societies and the health of our environment. This is Europe's moment. Our willingness to act must live up to the challenges we are all facing. With Next Generation EU we are providing an ambitious answer"

President Ursula von der Leyen

1 Investment as policy response

Building on the considerable progress that has already been made in the European Parliament and the Council, the Commission now proposes to deploy a **reinforced** EU budget to help **repair the immediate economic and social damage** brought by the coronavirus pandemic, **kickstart the recovery** and **prepare for a better future** for the next generation.

SURE / ESM Pandemic Crisis Support / EIB Guarantee Fund for Workers and Businesses	€540 billion
Next Generation EU	Temporary reinforcement €750 billion
Multiannual Financial Framework	€1 100 billion

To mobilise the necessary investments, the Commission is putting forward a two-fold response:

- **Next Generation EU** to boost the EU budget with new financing raised on the financial markets for 2021-2024
- Reinforced **long-term budget of the European Union for 2021-2027**

Next Generation EU of **€750 billion** 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.

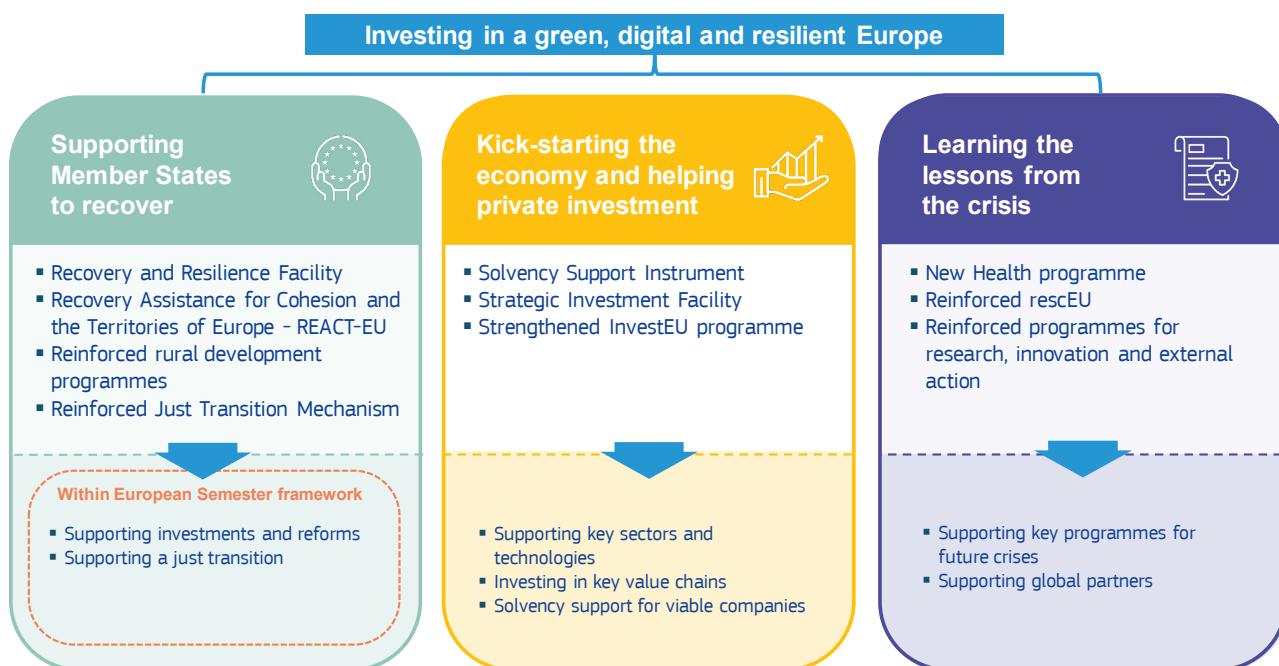
Together with the three important safety nets for workers, businesses and sovereigns endorsed by the European Council on 23 April 2020 and amounting to a package worth €540 billion, these exceptional measures taken at the EU level would reach more €1.290 trillion.



2 A Budget for Europe's future

The EU response to the coronavirus crisis will be spread between now and 2027, concentrated in the first crucial years of recovery. To ensure an effective response, which reaches out to everybody in the EU and to our global partners, the Commission is mobilising a variety of instruments.

Next Generation EU will be rolled out under **three pillars**:



Source: European Commission



Supporting Member States to recover, repair and emerge stronger from the crisis

Public investment has a vital role to play in a balanced and sustainable recovery. The bulk of the funding from Next Generation EU (more than 80%) will therefore be used to support public investment and key structural reforms in the Member States, concentrated where the crisis impact and resilience needs are greatest.

The **Recovery and Resilience Facility** together with **cohesion policy** and the **Just Transition Mechanism** will be instrumental in achieving these important goals. Their delivery will be embedded in the **European Semester**. In addition, the reinforced **European Agricultural Fund for Rural Development** will support rural areas in making the structural changes necessary in line with the European Green Deal.



Kick-starting the economy and mobilising private investment

Urgent action is needed to kick-start the economy and create the conditions for a recovery led by private investment in key sectors and technologies. This investment is particularly crucial to the success of Europe's **green and digital transitions**. The Commission estimates that **investment needs** amount to at least €1.5 trillion in 2020-2021. Investment in key sectors and technologies, from 5G to artificial intelligence and from clean hydrogen to offshore renewable energy, holds the key to Europe's future.

Healthy companies are a prerequisite for success in this investment drive, yet hundreds of thousands of companies are likely to come under severe financing pressure by the end of the year. The Commission is therefore proposing a new **Solvency Support Instrument** to provide urgent equity support to **sound companies** put at risk by the crisis. This will help them weather the storm and support their green and digital transformation. This instrument should become operational still this year.

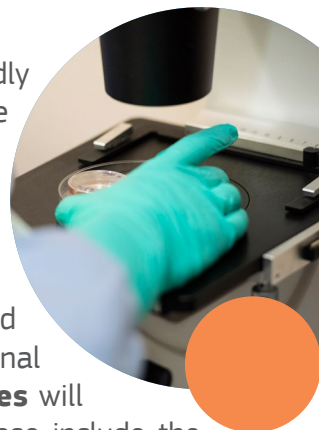
The Commission is also proposing to strengthen **InvestEU**, Europe's flagship investment programme, to mobilise investment across the Union in areas such as sustainable infrastructure and digitisation. As part of this, the Commission proposes to create a new **Strategic Investment Facility** to invest in key value chains crucial for Europe's future resilience and strategic autonomy in the context of the green and digital transitions.



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** to strengthen health security and prepare for future health crises. **RescEU**, the Union's Civil Protection Mechanism, will be expanded and reinforced to equip the Union to prepare for and respond to future crises. **Horizon Europe** will be reinforced to fund vital research in health, resilience and the green and digital transitions. The EU will support its global partners through an additional €16.5 billion **for external action**, including **humanitarian aid**. **Other EU programmes** will be strengthened to align the future financial framework fully with recovery needs. These include the **Common Agricultural Policy** and the **European Maritime and Fisheries Fund**, to strengthen the resilience of the agri-food and fisheries sectors and to provide the necessary scope for crisis management.



More flexible emergency tools

Beyond the individual programmes, the crisis has underlined how important it is that the Union is able to react **fast and flexibly** to put in place a coordinated European response. This in turn requires a more flexible EU budget. Therefore, the Commission proposes to reinforce the flexibility of the EU budget and emergency tools for the period 2021-2027.



SOLIDARITY AND EMERGENCY AID RESERVE



- Enables swift reinforcements via budgetary transfers to EU instruments where needs arise
- Increase to a maximum annual amount of €3 billion

SOLIDARITY FUND



- Supports Member States in the response and immediate recovery following natural disasters such as floods, forest fires, earthquakes, storms and droughts
- Extension to encompass major health crises and increase to a maximum annual amount of €1 billion

EUROPEAN GLOBALISATION ADJUSTMENT FUND



- Provides support for the reintegration in the labour market of persons losing their jobs as a result of unexpected major restructuring events such as a financial or economic crisis
- Threshold for the activation of the fund lowered to 250 redundancies and increase to a maximum annual amount of € 0.386 billion.

Source: European Commission

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

3 Financing the policy response

The bulk of the proposed recovery measures will be powered by a **Next Generation EU** with financial firepower of €750 billion. The instrument will be exceptional and temporary. The financing will be made possible by the Own Resources Decision, which will allow the Commission to exceptionally borrow up to €750 billion on behalf of the Union, through the issuance of bonds, for measures over the period 2021-2024.

The Commission will then direct the funds in pursuit of EU priorities to the specific and new financing needs that have been revealed by the crisis through grants and loans.

In this way, the Union will provide a **forceful** support to its Member States without putting additional pressure on their national budgets at the time when they are most strained.

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 those proposed in 2018 at a later stage of the financial period.



4 There is no time to lose

Agreement on an ambitious recovery plan with the EU budget at its heart will give the Union the best possible chance of success. It is essential to help Member States and businesses address the immediate challenges brought by the Coronavirus crisis as well as to ensure durable growth and convergence in the longer term.

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.

The Commission will then work closely with the European Parliament and the Council to finalise an agreement on the future 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.

- May 2020**
Commission proposal for the revised Multiannual Financial Framework 2014-2020 & 2021-2027 and Own Resources Decision + sectoral legislation
- By July 2020**
European Council: Political agreement on Multiannual Financial Framework 2014-2020 & 2021-2027 and Own Resources Decision
- By summer 2020**
European Parliament's consultation on Own Resources Decision
- Early autumn 2020**
Adoption of the revised Multiannual Financial Framework 2014-2020 + corresponding sectoral legislation
- October 2020**
European Council
- December 2020**
Adoption of the revised Multiannual Financial Framework 2021-2027 (European Parliament's consent)
Adoption of the Own Resources Decision (Ratification by all Member States in line with their constitutional requirements)
- January 2021**
Multiannual Financial Framework 2021-2027 implementation starts