Questions and Answers on the agreement on the €1.8 trillion package to help build greener, more digital and more resilient Europe *

Brussels, 11 November 2020

How is this agreement different from the 21 July 2020 agreement?

The political agreement on 10 November between the European Parliament and the Council is based on the Commission proposal from 27 May 2020, the European Council conclusions from 21 July 2020, together with proposals from the European Parliament. It ensures that the EU institutions cooperate even more effectively to make sure that the **€1.8 trillion package** goes to where the needs are, in a timely and transparent manner.

Some of the key features of the agreement include:

- A reinforcement of priority programmes of €**15 billion compared to the 21 July agreement** at European Council level, to make sure that the EU budget will continue to play a key role to support the recovery and that beneficiaries of EU funds receive sufficient means to continue their work during these very challenging times for all.
- The agreement foresees that this €15 billion top-up is allocated to a number of priority areas:
- Horizon Europe: €4 billion (to €79.9 billion in 2018 prices);
- Erasmus+: €2.2 billion (to €23.4 billion in 2018 prices);
- EU4Health: €3.4 billion (to €5.07 billion in 2018 prices);
- Integrated Border Management Fund: €1 billion (to €6.5 billion in 2018 prices);
- European Border and Coast Guard Agency (Frontex): €0.5 billion (to €5.6 billion in 2018 prices);
- Rights and Values: €0.8 billion (to €1.6 billion in 2018 prices);
- Creative Europe: €0.6 billion (to €2.2 billion in 2018 prices);
- InvestEU Fund: €1 billion (to €3.8 billion in 2018 prices);
- Neighbourhood, Development and International Cooperation Instrument (NDICI): €1 billion (to €71.8 billion in 2018 prices);
- Humanitarian Aid: €0.5 billion (to €10.26 billion in 2018 prices).
- **Increased flexibility mechanisms** to guarantee that the EU budget has the capacity to address unforeseen needs, thus being **fit not only for today's realities but also for tomorrow's uncertainties.**
- **A clear commitment that 30% of the EU budget, under both MFF and Next Generation EU, will be spent to fight climate change**, the highest share ever of the largest European budget ever. The package also pays specific attention to **biodiversity protection and gender related issues**.
- **Enhanced budget protection mechanisms** to guarantee that every euro goes to where the needs are. These include a conditionality mechanism as well as a new tool to put together transparent and comparable information on the final beneficiaries of EU funding.
- A **detailed roadmap towards new own resources** to help repay the borrowing. Under this roadmap, the Commission is committed to put forward proposals on a carbon border adjustment mechanism, on a digital levy and on an own resource based on the Emissions Trading System by June 2021. The Commission will also propose additional 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.

With these elements, the next long-term budget and the recovery instrument NextGenerationEU will help rebuild a post-COVID-19 Europe, which will be greener, more digital, more resilient and better fit for the current and forthcoming challenges.

Where will the additional €15 billion come from?

The funds will go to reinforce a number of key budgetary programmes, as detailed above.

These reinforcements will be financed through:

- A dedicated mechanism specified in the MFF Regulation for a fixed amount of €11 billion over the period 2022-2027, with annual amounts between €1.5 to €2 billion for years 2022-2026 and the residual up to the total €11 billion for 2027. The precise annual amount will depend on the competition fines budgeted in the year before, while the total of €11 billion remains unchanged. This means that the link between competition fines and the dedicated mechanism is notional since the actual fines continue to reduce Member States' contributions in the year they are budgeted. There is no direct link between the level of actual competition fines collected in a given year and Member States' contributions to the dedicated mechanism.
- €2.5 billion from the margins under the MFF ceilings.
- In addition, it is also agreed that up to €0.5 billion resources arising from de-commitments will be made available under Horizon Europe and reflows from the ACP (African, Caribbean and Pacific) Investment Facility corresponding to an amount of €1 billion to Neighbourhood, Development and International Cooperation (NDICI).

What are the flexibility mechanisms you are referring to?

The budget will have increased **flexibility mechanisms** to guarantee it has the capacity to address unforeseen needs. **This should make it fit not only for today's realities but also for tomorrow's challenges.** These mechanisms include a series of instruments, building on the architecture agreed by the European Council on 21 July 2020:

- **European Globalisation Adjustment Fund**: with a maximum annual amount of €0.186 billion, this Fund will provide 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
- **Solidarity and Emergency Aid Reserve**: with a maximum annual amount of €1.2 billion, the Reserve enables swift EU financial support where needs arise (e.g. emergency after major disasters). Moreover, 35% of the instrument will be preserved for its external strand also in light of the increasing humanitarian needs.
- **Brexit Adjustment Reserve**: with an overall size of €5 billion, it is aimed to counter adverse consequences in Member States and sectors that are worst affected.
- **Single Margin Instrument** to allow for an efficient management of the margins under the MFF.
- **Flexibility Instrument**: with a budget of €0.915 billion annually, increased with reference to the July EUCO agreement

How will you make sure that the EU budget is well-spent and goes to where the needs are?

The EU budget already has a sound system in place to ensure not only that the EU budget is well-spent in line with the financial rules, but also that every project financed by the EU budget generates added value. The Commission will continue to rely on this system in the future.

In addition, the agreement foresees two additional elements to feed into the EU budget protection toolbox:

- A **conditionality mechanism** to ensure that, for the first time, the EU funding will be protected, including preventively, against generalised deficiencies in the area of the rule of law. At the same time, final beneficiaries of EU funding in the Member State concerned will not be negatively affected by this mechanism.
- An **integrated and interoperable information and monitoring system** including a new tool to put together transparent and comparable information on the final beneficiaries of EU funding. The system would ensure the efficient checks on conflicts of interest, irregularities, issues of double funding and criminal misuse of funds.

Finally, the Commission will continue to cooperate with the European Anti-Fraud Office (OLAF) and the European Public Prosecutor's Office (EPPO), which will keep exercising their control and investigation powers in relation to the EU budget.

What does the roadmap towards the introduction of new own resources

foresee?

As proposed in May 2020 and agreed by EU leaders on 21 July 2020, to finance the recovery, the EU will borrow on the markets at more favourable costs than many Member States, and redistribute the amounts.

To help repay the borrowing, new own resources will be introduced to complement Member States' contributions to the EU budget. The roadmap agreed on 10 November 2020 contains clear commitments on the type of these new own resources, the timeline for their proposal and introduction:

- The Commission has committed to put forward proposals on a carbon border adjustment mechanism and on a digital levy as new own resources by June 2021, with a view to their introduction at the latest by 1 January 2023.
- The Commission will also review the EU Emissions Trading System in spring 2021, including its possible extension to aviation and maritime. It will propose an own resource based on the Emissions Trading System by June 2021.
- In addition, the Commission will propose further new own resources, which could include a Financial Transaction Tax (taking into account developments in the currently ongoing work on the enhanced cooperation) and a financial contribution linked to the corporate sector or a new common corporate tax base. The Commission will work to make relevant proposals by June 2024.

Will there be a mid-term review/ revision, like for the EU budget 2014-2020?

The EU budget for 2021-2027 is being prepared under extraordinary circumstances, and has the objective to help Europe emerge greener, more digital and more resilient from the post-COVID-19 crisis. This crisis – as well as others in the past – have shown that Europe needs a budget which is capable to quickly react to unforeseen circumstances and help provide a European response at challenging times.

With this in mind, in line with the 10 November agreement the Commission has committed in a declaration to present a review of the long-term budget by 1 January 2024 and, as appropriate, a proposal for a revision. In this way, the EU will be able to adjust the budget to be able to better respond to any new challenges which may emerge between now and end-2023.

What are the next steps?

The MFF Regulation and the Interinstitutional Agreement endorsed on 10 November must now be formally adopted by the European Parliament and the Council, within their respective roles and procedures.

In parallel, work must continue towards a final adoption of all other elements of the package, including the sectoral legislation and the Own Resources Decision.

In the case of the Own Resources Decision, which will enable the Commission to borrow, ratification by all Member States in line with their constitutional requirements, is also needed. The European Parliament, at its September plenary, has already provided its positive opinion on this piece of legislation. The adoption by the Council is the next step.

In parallel, negotiations on the annual budget for 2021 have to take place. The 21-day conciliation period, during which the European Parliament and the Council should reach an agreement, runs between 17 November and 7 December.

The Commission remains fully committed to accompany the process. We expect that the European Parliament, the Council and national parliaments will put all their efforts to ensure that the process can be speedily concluded. We owe it to our citizens to deliver quickly, especially in times of an unprecedented crisis.

For More Information

Press release

Factsheet

MFF website

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