The EU Budget: The Multiannual Financial Framework (MFF) and Next Generation EU (NGEU)

CEEweb Annual Meeting
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15 December 2020
EU Budget Workshop Agenda
15 December 2020, 3.00 – 4.00 PM

Welcome and introductions – 10’
MFF/NextGen EU and sustainability – 20’
Q&A – 10’
Roundtable: country experiences – 10’
Advocacy opportunities and resources – 10’
MFF and Next Generation EU – A quick recap

• In response to the Covid-pandemic a new Commission proposal for the MFF and a Recovery Plan for Europe in May 2020. The MFF and NGEU go together

• The European Green Deal is at the heart of the recovery package and (in principle) to be part delivered via the MFF


• 1.1 trillion EUR (MFF) + 750 billion EUR (NGEU) = 1.86 trillion EUR

• 10 November, the European Parliament and EU Member States in the Council reach agreement

• 10-11 December, second European Council agreement (rule of law issue)

• EP needs to adopt + national parlimants have have to sign off on the guarantees given to the NGEU budget in order to raise money on the financial markets for the recovery fund.

• EP Plenary vote will be on 14-17 December. After that, negotiations between the EC the Council and the EP (trialogues) will start to reach a final agreement on the RRF text. We will have to be active also in that phase. The negotiations on the RRF are likely to end at the beginning of the year (Jan-Feb).
MFF 2021-27 conditionalities – Climate and environmental sustainability

- At least 30% of EU expenditure contributing to climate objectives for both the MFF and NGEU and „the package also pays a specific attention to biodiversity protection”

- EU expenditure should be consistent with Paris Agreement objectives and the "do no harm" principle of the European Green Deal.
  - An effective methodology for monitoring climate-spending and its performance needed.
  - Dedicated climate targets for each of the new programmes are missing, there is little clarity about how or whether this 30% target will be achieved.
  - **Good:** the EUCO on 21 July has **raised the climate-mainstreaming target to 30%** (up from 25% originally proposed by the EC)
  - **Bad:** there is a lack of clarity on **how mainstreaming will work**.

- The Commission shall report annually on climate expenditure.
- Fossil fuels not excluded

- **Just Transition Fund** – top-up from the NGEU
- Budget should contribute to achieving the SDGs
MFF 2021-27 conditionalities – Transparency, public participation

- Rule of law mechanism

- A new transparency tool (CPR): an integrated information and monitoring system with transparent and comparable information on the final beneficiaries of EU funding. To check conflicts of interest, irregularities, issues of double funding and criminal misuse of funds.

- Mid-term review by 1 January 2024 and, as appropriate, a proposal for a revision.

- EP proposed: a complaints-handling system accessible to all citizens and stakeholders at all stages of preparation and implementation of programmes including monitoring and evaluation.

- Enabling conditions:
  - Effective application of the partnership principle
  - Effective application and implementation of the EU Charter of Fundamental Rights
  - Implementation of the principles and rights of the European Pillar of Social Rights that contribute to real convergence and cohesion in the European Union.

- Thematic enabling condition:
  - A greener, low carbon Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate adaptation and risk prevention and management
LIFE programme

- LIIFE programme: **5.4 billion for the seven years** (60% nominal increase)

- LIFE strategic integrated projects and strategic nature projects prioritized

- **Co-financing** remains 60%, 75% for priority habitats or species

LIFE year by year allocations (current prices):

<table>
<thead>
<tr>
<th>Year</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>700</td>
<td>715</td>
<td>736</td>
<td>763</td>
<td>796</td>
<td>838</td>
<td>884</td>
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The Recovery Plan for Europe

- Next Generation EU: new recovery instrument of €672.5 billion to boost the EU budget with new financing raised on financial markets for 2021-2024 plus strengthening of specific MFF funds

- The National Recovery & Resilience Plans will be the key instrument for the disbursement of Next Generation EU

- Triggered on a voluntary basis

- Green and digital transitions

- These are being drafted now (a few complete)

- Drafts can be submitted to the Commission from 15 October 2020 until April 2021

- EC has 4 months to assess the plans and respond
The amounts agreed under NGEU for individual programmes:

- **Recovery and Resilience Facility (RRF)**
  - of which loans: EUR 360 billion
  - of which grants: EUR 312.5 billion
- **ReactEU**: EUR 47.5 billion
- **Horizon Europe**: EUR 5 billion
- **InvestEU**: EUR 5.6 billion
- **Rural Development**: EUR 7.5 billion
- **Just Transition Fund (JTF)**: EUR 10 billion
- **RescEU**: EUR 1.9 billion
- **Total**: EUR 750 billion
### MFF 2021-2027 total allocations per heading

<table>
<thead>
<tr>
<th>Category</th>
<th>MFF</th>
<th>NEXT GENERATION EU</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Single Market, Innovation and Digital</td>
<td>132.8</td>
<td>10.6</td>
<td>143.4</td>
</tr>
<tr>
<td>2. Cohesion, Resilience and Values</td>
<td>377.8</td>
<td>721.9</td>
<td>1099.7</td>
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<tr>
<td>3. Natural Resources and Environment</td>
<td>356.4</td>
<td>17.5</td>
<td>373.9</td>
</tr>
<tr>
<td>4. Migration and Border Management</td>
<td>22.7</td>
<td>-</td>
<td>22.7</td>
</tr>
<tr>
<td>5. Security and Defence</td>
<td>13.2</td>
<td>-</td>
<td>13.2</td>
</tr>
<tr>
<td>6. Neighbourhood and the World</td>
<td>98.4</td>
<td>-</td>
<td>98.4</td>
</tr>
<tr>
<td>7. European Public Administration</td>
<td>73.1</td>
<td>-</td>
<td>73.1</td>
</tr>
<tr>
<td><strong>TOTAL MFF</strong></td>
<td><strong>1 074.3</strong></td>
<td><strong>750.0</strong></td>
<td><strong>1 824.3</strong></td>
</tr>
</tbody>
</table>

*All amounts in EUR billion.*

*Source: European Commission.*
Flagship areas for investments and reform

**Recovery and Resilience Facility**

**Flagship Areas for Investments and Reforms**

- **Power Up**
  - Clean Technologies and Renewables

- **Renovate**
  - Energy Efficiency of Buildings

- **Recharge and Refuel**
  - Sustainable Transport and Charging Stations

- **Connect**
  - Roll-out of Rapid Broadband Services

- **Modernise**
  - Digitalisation of Public Administration

- **Scale-Up**
  - Data Cloud Capacities and Sustainable Processors

- **Reskill and Upskill**
  - Education and Training to Support Digital Skills

#EUSolidarity #StrongerTogether
New own resources

- carbon border adjustment mechanism
- a digital levy (to be proposed by June 2021)
- a new own resource based on the Emissions Trading System (to be proposed by June 2021)
- Further new own resources (to be proposed by June 2024) could include a Financial Transaction Tax, a financial contribution linked to the corporate sector or a new common corporate tax base.
Pre-Allocated Funding for Next Generation EU

Total of grants and RRF loans

Source: European Commission
RRF and Governance

Governance

Commission
- **Assesses** the recovery and resilience plans based on the criteria in the Regulation
- **Adopts a decision** (**implementing act**) within 4 months of the official submission of the plan by the Member State

Council/Member States
- **Council discusses the state of recovery, resilience and adjustment capacity in the Union within the EU Semester**
- **MS provide binding opinion** as regards implementing act of the Commission (examination procedure under comitology) + payments
- **Annual report** by the Commission

European Parliament
- **Annual report** by the Commission on:
  - **Progress** made with the recovery and resilience plans by Member States and
  - **Spending** of the resources under the Facility
To consider

• Target monies on climate mitigation, ecological resilience, green jobs, economic development that respects the green oath?
• What share is allocated to climate, nature and the wider EGD?
• Or will the plans support investments that risk undermining the EGD or EU resilience - e.g. fossil fuels or intensive agriculture, or aviation without strict conditionalities for a green transition?
• Will they Help “build back better” or be a missed opportunity?
• Will public participation be ensured?

• What is the experience from countries?
• What are hopes and fears?
• What can civil society do to ensure that the Plans are what future generations needs them to be?
CEEweb’s work on the EU Budget

From 2017 onwards

• People’s Budget coalition under SDG Watch Europe (CEE Bankwatch and CEEweb) from 2017

• Sustainability-proofing 8 principles and specific recommendations to decision-makers

• Europe-wide informal NGO network sharing knowledge about the MFF

New Initiative: Oct 2020 to May 2021: Towards a climate neutral EU: funding and incentives for a transformative European Green Deal and Recovery Plan

• Team: EEB, Clean Air Action Group (HU), CEEWeb, EPI (BG), CDE (CZ), Green Liberty (LV), Polish Green Network (PL), Focus Eco Center (RO), Umanotera (SI) and CEPTA (SK)

• Supported by the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU, division IK II 5)
Activities in the new coalition

- **Action 1:** Engage at Member State and EU level to improve the results of the current negotiations on the Recovery Plan and MFF to ensure that they help integrate, fund and catalyse a carbon neutral, green transition and ensure a credible and effective European Green Deal.

- **Action 2:** Engage in the programming of EU funds via the Partnership Agreements and Recovery Plans in the CEE grant countries to ensure priorities are present, that climate is duly integrated and that progressive instruments and measures and committed to in the PAs and Recovery Plans.
Q&A (10’)

Do you have any questions?
Roundtable (10’)

Are you engaged in your national planning? Do you plan to?
What can we learn from countries?
Advocacy opportunities and resources (10’)

Window of opportunity

- Engage with the drafting of the PA, Operational Programmes and Nationa Recovery Plan
- Investments and Reforms!!
- Consulations – meaningful public participation for RRF in not obvious for every country

What to do?

- Find out who is leading in your country on the NRRPs (government departments) and any information you can get on your country’s NRRP and get in touch with them as soon as possible
- Reach out specifically to your Ministry for Environment in the first place, as it seems the stakeholder most likely to listen to our requests.
- It will also be important to map out who is influencing the decisions (government departments, press, opinion makers, economy experts etc) in order to reach out to them
- Finally, it would also be useful to know who is representing your country in talks with the EC. Most likely, your central government department.
Timeline

- May 2020: Commission proposal
- July 21st, 2020: Council agreement
- Waiting for approval by EU Parliament and national parliaments
- October 15th - December 31st, 2020: Discussion on National Recovery and Resilience Plans
- Before December 31st, 2020: Adoption of MFF 2021-2027.
- January 2021: New plastic tax
- January 1st to April 30th, 2021: Final NRRPs transmitted to the Commission
- Summer 2021: First NGEU resources transferred to MS
- 2021-2022: 70% of NGEU transferred
- 2023: remaining 30% of NGEU transferred
- 2028: start of loan repayment
- 2058: full loan repayment due
NGO recommendations

NGO recommendations to the PA and NRRP will be available for:
- Bulgaria
- Czech Republic
- Hungary
- Latvia
- Poland
- Romania
- Slovakia
- Slovenia

Contact me if you are involved in the process and would like to read the NGO recommendations!

**Member States submit a recovery and resilience plan. They must include:**

- Measures for the implementation of reforms and public investment projects through a coherent package.
- Explanation/substantiation related to the assessment criteria
- Envisaged milestones and targets
- Indicative timetable for the implementation of the reforms and investments
- Estimated total cost of the reforms and investments covered by the recovery and resilience plan
- Where relevant, information on existing or planned Union financing
- Where appropriate, the request for loan support and the additional milestones & targets (for the additional reform and investment)
Close cooperation with the Member State concerned.

Assessment based on criteria listed in the Regulation, and notably whether the plan:

- is expected to contribute to effectively address challenges identified in the relevant CSRs or in other relevant documents officially adopted by the Commission in the European Semester;
- contains measures that effectively contribute to the green and the digital transitions or to addressing the challenges resulting from them;
- Includes reasonable and plausible justification on the amount of the estimated total costs of the plan, with cost commensurate to expected impact on the economy and employment;

If a Member State requests a loan, the Commission assesses whether:

- the additional reforms and investments fulfil the assessment criteria
- justification for the amount of the loan and its amount is reasonable and plausible
Resources

- CEEweb Newsletter and Policy mailing List
- Civil Society Europe Guidance document on how to engage with Nationa Recovery Plans
- Media – (re)publish an Op-ed, Article (?)

- Civil Society Europe relevant documents: model letter, letter to Finance Ministers/letter to Decision-makers, Europe’s recovery after the pandemic and civil society