

OUTLINE – MFF/RECOVERY PLAN COMMUNICATION

- The COM is presenting an integrated proposal for a Recovery Plan and 7 year EU Budget to help the EU emerge stronger from the crisis. This builds on the emergency measures taken by the EU (regulatory facilitation (SGP/SA), PPEF, CRII, 500 bn package) and incorporates the Recovery Fund heralded by the E.G. while setting out a road map for the recovery phase for the next 7 years;
- The objective is to restore growth and employment as fast as possible, creating resilience and anchoring the twin transitions in the recovery while integrating the lessons learned from the crisis in our recovery strategy.
- To achieve this we propose to bolster our existing MFF proposals to make them fit for purpose, notably by integrating a 300 bn temporary and targeted recovery fund in the MFF and equipping the Union with new tools to emerge stronger from the crisis. To have impact when it matters most, the budget is heavily frontloaded.
- A key feature of the strategy is a Recovery and Resilience Facility which is aimed at helping Member States rebuild their economies and preparing them for the future. It comes with a proposed EUR 200 bn budget to help fund Member States Recovery Plans. This facility builds on the BICC/CRI and could become active from 1 January 2021. In addition, we are frontloading and repurposing 50bn EUR of Cohesion policy in 2021 and 2022 aimed at restoring labour markets, health care systems and SMEs. This should trigger over 150 bn EUR of expenditure in the two years.
- We are also proposing two key European wide Funds to protect and the strengthen the Internal Market. The first helps sound companies to rebuild their capital quickly. The second helps building strategic autonomy in vital supply chains at a European level. Both funds would trigger investments of 200 billion EUR each. Member States can also put money into these funds to further increase their firepower.
- New health care and crisis response programmes aim at ensuring that Europe will be better prepared in the future to deal with major health and other crises. These programmes build critical capacities that can be mobilised at at European scale within days of the outbreak of a new crisis with the necessary scale.
- Key policies that power our growth and capacity to integrate green and digital technologies will also be strengthened: InvestEU will become RecoverEU and will double in size. Horizon and our external instruments will also be reinforced.
- Finally, the crisis has shown that the Union must be able to react fast and flexibly: we therefore propose to equip it with a flexible emergency tool that can mobilise resources at scale to deal with unforeseen challenges. Otherwise the programmes globally sit at the levels foreseen in the February Negotiation box of the President of the EUCO.
- All told, the new proposals will be able to generate at least [2000] billion of investment and expenditure; heavily frontloaded and geared at recovery and resilience.
- This plan will be financed through a temporary Recovery Instrument (RI) as well as the MFF own resources system. The RI will be a time limited and targeted Instrument based on Article 122.1 which will allow the Union to raise up to EUR 320bn on the markets to finance key policies and Instruments to support the Recovery through Union Programmes (see Table/graph).
- Approximately half of the this amount will consist of loans to Member States; the rest will remain in the Budget to be repaid by Member States after 2027 over a long time horizon or paid through future additional own resources. A declaration to this effect will be made at the time of agreeing the Instrument by leaders in the EUCO setting out

also that this issue will be revisited in 2024 with a view to taking a final orientation. The 2021-2027 MFF will therefore only cover associated interest costs on these loans which are estimated to be of the order of 0.5 billion on average per year.

- The RI's financing and payment flows in the Budget will be distinct to illustrate their temporary and exceptional character and to provide full transparency.
- The new MFF proposal will require national contributions that remain modest in light of the ambition of the programme. They are smaller than in the Commission's 2018 proposal and just below the compromise proposal of President Michel. Given the incidence of the crisis on economies not benefitting from corrections, the Commission maintains its 2018 proposal to fully phase out the corrections over the period 2021-2027.
- The Commission reiterates the importance of the modernisation of the EU's own resources system and confirms its proposals made in May 2018, with the exception of the CCCTB which is not operationally available. However, in conjunction with the final decision on the financing schedule of the RI in 2024, it will make proposals for further strengthening the own resources of the Union.
- Table on revenue side of the Budget (aggregate).
- Timeline. The Commission invites the European Council to endorse the accompanying legal texts in June so as to allow the Recovery Instrument to commence operating immediately and the MFF to enter into force on 1 January 2021. To this effect, the Commission will be presenting proposals for a SI, and changes in the InvestEU and RescEU Regulations on [x]May as well as proposals for a new Health Programme and PURE Programme on [10] May.