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The EU Budgetary Package 2021 to 2027 Almost Finalised:

An Assessment

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Abstract

This policy note presents an assessment of the EU budgetary package for 2021-2027, including the European Union Recovery Instrument 'Next Generation EU' (EURI-NGEU), with an introduction to the EU decision-making process and the state of play of the relevant legislation as well as an annexed overview of (a) revenue-side decisions, (b) the size, composition and allocation of expenditures and (c) the new rule-of-law regulation. Major achievements are complementary common EU borrowing for EURI-NGEU programmes and the increased focus on climate. However, the EU budget remains tiny, and a national fiscal and (common) monetary policy is needed for stabilisation. EURI-NGEU grants, which are particularly relevant for member states with below-average per-capita income, primarily target public investment in structural change aimed at climate-related and digitisation projects, but they may also help to finance COVID-induced national fiscal deficits, albeit only to a small extent. Governance will be the main challenge facing the implementation of these projects. Compared with the Commission's proposal, the European Council cut funding for EU-wide strategic investments and for external action (neighbourhood, development, humanitarian aid), and, thus, the funds for external action even decline relative to 2014-2020 (EU27) in the midst of a global pandemic. Cuts to the proposed climate-specific Just Transition Fund undermine the 30% climate spending target, which also hinges on how direct agricultural payments are classified. Progress on the revenue side with the new plastic packaging waste-based national contribution and the roadmap to further new own resources contrasts with the expanded privilege of rebate on the GNI-based contribution for a few member states.

Keywords: European Union, Budget, Government expenditure, Policy design and consistency, Policy coordination, International Institutional Arrangements

JEL classification: E61, E62, F55, H50, H60, H61

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INTRODUCTION AND STATE OF PLAY

The EU budgetary package for the period 2021-2027 is almost a done deal by now. While it has always been a challenge for all EU institutions and Member States (MS) to achieve an **agreement on the next Multiannual Financial Framework (MFF) for EU budget expenditures and on the underlying EU budget revenues in the form of the Own Resources (OR) Decision**, this time it has been particularly difficult. First, there was the need to also reach an agreement on the regulation – proposed by the European Commission as early as 2018 – on how to deal with EU funds in the case of generalised deficiencies with regard to the rule of law in a member state. Second, there was the need to address the implications of the COVID-19 pandemic by complementing the existing MFF and OR proposals, **on the table since 2018**, with additional proposals and a common agreement on them.

In February 2020 the European Council (EUCO) failed to agree on a common position, even though member states' position differed by less than 0.1% of annual gross national income (GNI). In the wake of the COVID-19 pandemic, the **European Commission tabled amended and additional budgetary proposals at the end of May** at the invitation of the European Council. Particularly important was the proposed **'European Union Recovery Instrument' (EURI),** called 'Next Generation EU' (NGEU). Based on all these proposals, on 21 July the **European Council reached a political compromise**, particularly with respect to the size and composition of the OR, MFF and EURI-NGEU.

At the end of July, the Council presidency secured formal broad approval by all MS for the overall legislative pieces and for starting negotiations with the European Parliament (EP) and the European Commission (Council, 2020a). These so-called **Trilogue negotiations started on 27 August.** Formally, for the **Council decision on OR**, the EP could only provide an opinion under a consultative procedure; it adopted this opinion on the draft Council decision on 16 September (EP, 2020c). For the **Council regulation on the EURI-NGEU** the EP's formal involvement was even zero, as the Commission based its proposal on Article 122 of the Treaty on the Functioning of the European Union (TFEU). By contrast, the **Council regulation on the MFF required the EP's formal 'consent'**, which is, however, still less than the full co-decision-making on an equal footing that characterises the ordinary legislative procedure for any regulation of the European Parliament and the Council. The **Interinstitutional Agreement (IIA) between the Council, the EP and the Commission** on budgetary cooperation and sound financial management obviously needed the EP's agreement.

At the end of September the Council, acting by a qualified majority, issued a negotiating mandate to the German Council presidency for the **'rule-of-law' regulation of the EP and the Council**, which required the EP's formal adoption under ordinary legislative procedure, leading to further Trilogue negotiations running in parallel.

On 5 November a political agreement between the Council presidency and the EP's negotiators (Trilogue agreement) was reached on the 'rule-of-law' regulation (Council, 2020d), paving the way for a **Trilogue agreement on 10 November** with an overall political compromise on the other horizontal elements of the budgetary package relating to the MFF and the IIA as well as to the EURI-NGEU and the new OR (EP-CoB, 2020).

The **'rule-of-law' agreement** was endorsed by the EP Committees on Budgets and on Budgetary Control on 12 November 2020 and by the Committee of the Permanent Representatives of the Member States (Coreper) with the required qualified majority on 16 November 2020 (EP-CoB, 2020). However, **Poland and Hungary, being overruled in the Coreper, reacted by threatening to withhold their consent to the Council decision on OR**, which required unanimity. Finally, after intense negotiations than ran up to the European Council meeting on 10-11 December, all MS could support the overall budgetary package.

Thus, on 14 December, the Council, acting by a qualified majority, formally adopted its position on the draft 'rule-of-law' regulation. Further, it decided by the required unanimity to formally forward the MFF regulation to the EP for its consent, which was needed before the Council could formally adopt it, and it approved the draft IIA and the 'Joint Declarations' agreed with the EP and the Commission as part of the Trilogue agreement of 10 November. All these Council decisions were prerequisites for the ensuing decisions by the EP plenary. On top of this, the Council adopted the OR decision by the required unanimity, thus allowing the process of ratification by the member states' national parliaments to start, and it adopted the EURI-NGEU regulation. Separately, the Council also adopted its position on the second draft budget for 2021 (Council, 2020e).

On 16 December the EP approved the 'rule-of-law' regulation by legislative resolution. Moreover, it gave its consent to the MFF regulation and approved the conclusion of the IIA. On this basis, the Council formally adopted the MFF regulation on 17 December, and the European Parliament approved the EU Budget 2021 on 18 December. As a result, the **overall legislative pieces of the budgetary package (OR, MFF, EURI-NGEU, IIA and the 'rule-of-law' regulation) were all published in the Official Journal** prior to the start of the period 2021-2027 (EU, 2020a, b, c, d, e).

So, is there **anything still missing?** First, let us recall that the process of **ratification of the OR decision by the national parliaments of the member states** is still ongoing. This is likely to be a mere formality, since the governments of all MS have already agreed to it. Still, the OR decision had not yet entered into force by the date of its publication, but it stipulates entry into force *'on the first day of the first month following receipt of the last of the notifications'* of the completion of the procedures for the adoption of this decision, while it will apply from 1 January 2021 (EU, 2020c).

Second, one should not overlook that the **EU programmes funded by the EU budget are the sectoral-level part of the budgetary package**, each of which is based on a proper legal act. The agreement on the overall legislative pieces (the horizontal level) sets the size of each programme's financial envelope, but **the governance, the rules and the conditions of each programme** are dealt with at the sectoral level. **Fifty-five MFF- and/or EURI-related sectoral proposals** have been under examination since the summer of 2020 (Council, 2020a). Hence, in addition to achieving negotiating mandates at the horizontal level, the German Council presidency had to secure negotiating mandates from the Council at the sectoral level for entering into negotiations with the EP, where EP committees had to form their majority positions by adopting reports containing amendments to the Commission's proposals. These **sectoral Trilogue negotiations** between the Council presidency and EP negotiators (often rapporteurs in the relevant EP committee) trailed behind the negotiations at the horizontal level. The overall political compromise reached on 10 November has facilitated the conclusion – but does not prejudge the outcome – of negotiations on sectoral expenditure programmes, which are adopted under the ordinary legislative procedure (EP-CoB, 2020). A **wide range of sectoral Trilogue agreements was concluded in November and December**, including on very large EU programmes such as the European Regional Development Fund (ERDF), the Cohesion Fund (CF), Erasmus+ and the Recovery and Resilience Facility (RRF). In most of these cases the **formal approval** of the political agreement is **still pending**.

Agriculture, which gets quite a large part of total EU budget expenditures, received special treatment. The Commission considered that the comprehensive systemic changes to agricultural policy it had proposed in June 2018 required an implementation phase of one year following formal approval of the sectoral regulations. As it considered that the chances of a formal approval before the end of the year were low, on 31 October 2019 the Commission tabled an additional legislative proposal for a Transitional Regulation covering the year 2021, which mainly prolongs the current rules. Trilogue negotiations on the agricultural proposals started on 10 November and are still ongoing. Now they concern the rules for the years 2023-27, as separately a Trilogue agreement was achieved on 27 November on the **Transitional Regulation** by extending it to the years 2021 and 2022. This Regulation was published on 28 December (Council, 2020c; European Commission, 2019; EP, 2020g; EU, 2020f). One of the EU programmes for which a Trilogue agreement is still missing is the **Instrument for Pre-Accession Assistance** (IPA III).

Note that irrespective of the date on which any sectoral regulation enters into force, the **allocation of its financial resources will apply retroactively as of 1 January 2021**. In any case, there is no reason to fear any payment disruption, as payments under commitments made under the MFF 2014-2020 are executed as usual. In July 2020 the European Council stated in the Annex to its conclusions: *'The **RAL (reste à liquider)** is an inevitable by-product of multi-annual programming and differentiated appropriations. However, the RAL is expected to be more than EUR 308 000 million in current prices by the end of … the period 2014-2020, leading to payments from the current MFF constituting a significant amount of overall payments in the first years of the next MFF.'* (EUCO, 2020b, Annex I.7). However, looking forward, it stressed the need for measures such as simplifying implementation and setting appropriate pre-financing rates, decommitment rules and the timely adoption of the new sectoral legislations to ensure an orderly progression of payments (more aligned with commitments). Moreover, sector legislation is particularly urgent for EU programmes that are (additionally) funded by the EURI-NGEU because of the 'sunset clause', which applies to the **EURI-NGEU** as stipulated by the Council's conclusions: legal commitments shall be made by 31 December 2023, and related payments by 31 December 2026 (EUCO, 2020b, A13.).

As mentioned above, the overall parameters of the EU budget and the financial envelopes of the EU programmes are already fixed, so that this paper can analyse the size and composition of the EU budgetary package as well as its main horizontal rules and features. Following this introduction, this policy note gives an **assessment of the budgetary package** in the form of nine comments, summarised in the conclusions at the end. **Annex 1 provides a factual overview** of the main elements of the budgetary package, while **Annex 2 contains a special chapter on the 'rule-of-law' regulation,** which proved to be politically particularly contentious. Finally, the **Annex tables present the main figures on the EU budget, including the EURI-NGEU**.

ASSESSMENT OF THE EU BUDGETARY PACKAGE 2021-2027: NINE COMMENTS

1) The EU budgetary package 2021-2027 is a major step forward

Complementing the Multiannual Financial Framework (MFF) 2021-2027, the **European Union Recovery Instrument,** called Next Generation EU (EURI-NGEU):

- aims to counteract the economic fallout from the COVID-19 pandemic and to advance growth potential and cohesion as well as climate-related and digital structural change;
- is established in conformity with the principles of solidarity, subsidiarity and enlightened self-interest;
- is funded by **common borrowing on the capital markets by the European Commission on behalf of the Union**; this borrowing does not raise the national public debt levels, i.e. it is not 'rerouted' to member states (Eurostat, 2020a);
- **increases EU budget expenditures in real terms by a third** and adds another third as loans, with a focus on investment for structural change; and
- has high political significance and positive economic confidence effects.

Overall, the EU budgetary package:

- introduces **national contributions based on the quantity of non-recycled plastic waste**, albeit capped, as a new own resource (OR) from 1 January 2021, which breaks a stalemate of more than 30 years (EP-CoB, 2020);
- includes an inter-institutional agreement on introducing **further new OR, including climate-related ones as of 2023**, mainly **to fund repayment** and financing costs of EURI-NGEU borrowing;
- **shifts MFF spending away from agriculture** to research, Erasmus+, climate action, border management and EU strategic investments for digitisation; **EURI-NGEU**, in addition to its Recovery and Resilience Facility, reinforces these shifts and causes a rise (instead of a decline) of **regional cohesion spending, which is economically well justified** (Römisch, 2020);
- creates a targeted **climate-specific EU programme** (Just Transition Fund), albeit at a comparatively low level, and stipulates the 'do-no-harm' principle and a **climate target of 30%** for the combined MFF + EURI-NGEU expenditures;
- entails the Commission's commitment to issue 30% of the common borrowing for EURI-NGEU under a 'green bond standard';
- has **several features** that may be considered a political **success of the European Parliament**, welcome in terms of EU democracy, in particular:
    a. decisions and agreements supporting new OR;
    b. the fact that EURI-NGEU was not established as an inter-governmental institution (like the ESM) but embedded in the EU budgetary framework, with expenditures channelled via EU budgetary programmes;

c. the fact that this was the first time the Parliament managed to secure increases to ceilings and financial allocations to EU programmes as proposed by the European Council (EP-CoB, 2020); and

d. the introduction of a biodiversity target for MFF expenditures (via IIA).

2) The overall EU budget remains tiny, even when including EURI-NGEU

While the size of **both the MFF and EURI-NGEU together** looks impressive in absolute multi-annual figures based on cumulating euro amounts over 6-7 years (and relating them to annual GDP), their **size is tiny** indeed in terms of cumulated EU GNI in the same period. Relative to cumulated projected EU GNI in the budgetary period 2021-2027, the MFF size amounts to 1.1% and the EURI-NGEU size to 0.77%, comprising expenditures (grants and provisions for guarantees) of 0.4% and loans of 0.37%. These numbers are equivalent to annual average flows relative to annual EU GNI.[1] Obviously, these figures look less impressive especially when considering the size of **annual national public expenditures in the EU**, which amount to close to **50% of annual GDP**.

Moreover, while the establishment of EURI-NGEU results in a welcome increase in EU budgetary expenditures in real terms compared with the EU27 MFF 2014-2020, this **rise is far less impressive when measured relative to EU27 GNI**: from 1.21% of GNI total MFF expenditures for EU programmes in the EU27 member states in 2014-2020 to 1.51% of GNI total combined MFF+NGEU expenditures (including Trilogue-agreed top-ups) for EU programmes (together with some positive margins) in 2021-2027 – a minor rise of 0.3 percentage points of GNI.

3) The EU budgetary package is complementary to EU central banks' quantitative easing:

The EU budgetary package is not a substitute but is complementary to EU central banks' quantitative easing (QE) policies, which have been even more necessary in 2020 and will remain indispensable in 2021 at least

All EU member states have been suffering large COVID-induced fiscal deficits, particularly as a result both of the operation of automatic fiscal stabilisers, such as falling taxation revenues and rising unemployment benefits, and of discretionary measures to compensate for losses from public health policy interventions and to support effective demand. Therefore, **substantially increased simultaneous national sovereign borrowing** has taken place already in the first three quarters of 2020.

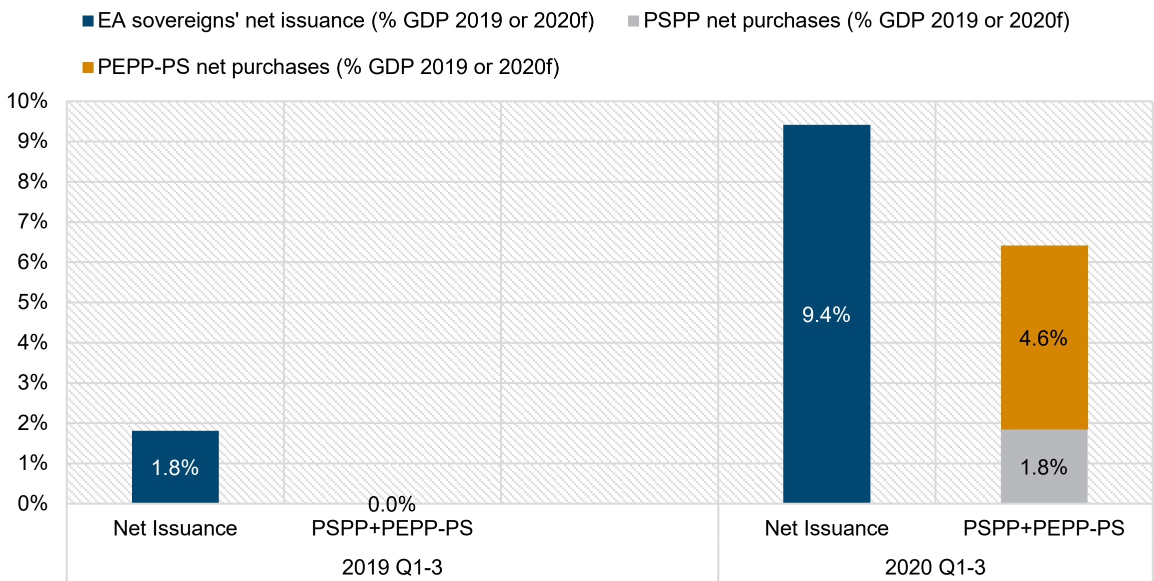
In the euro area (EA), this has made the **QE programmes of the European Central Bank** (ECB, 2020a, 2020b) **indispensable** to ensure both the functioning of the monetary transmission mechanism and financial stability, including by minimising the risk of a destabilising sovereign debt crises (see Chart 1). The central banks in large non-EA member states in Central, East and Southeast Europe (CESEE), such as Hungary and Poland, have also embarked on QE. The same applies to the United States, with the Federal Reserve Board massively increasing its holdings of Treasury securities. This

[1] Note that EURI-NGEU funds must be paid out by end-2026 and are averaged here over the whole budgetary period of 2021-2027, i.e. seven years. Thus, if these funds are related to EU GNI in 2021-2026 only, the annual average figures over these six years amount to 0.47% of GNI for expenditures and 0.43% of GNI for loans.

indicates that it would probably be erroneous to expect from any potentially emerging common EU fiscal stabilisation policy response or common safe asset that the ECB's QE policy would not continue to be necessary. **However**, as a result of the fact that there was **no early and bold common EA fiscal stabilisation policy based on non-repayable funds for member states** (on the back of common borrowing repayment obligations) in place, large COVID-19-induced fiscal deficits had to be financed via sovereign borrowing on a national basis, implying higher national public debt levels and **more fragmented fiscal positions among member states**. This will likely make it more difficult for the ECB than for other central banks to exit from QE in the future.

Chart 1 / Comparing the order of magnitude: EA national sovereigns' net issuance versus ECB secondary market net purchases

% annual GDP (as indicated below)



Source: European Central Bank (2020a, b, d). European Commission (2020a), Own calculations.

4) EURI-NGEU will boost public investment and may help finance COVID-induced deficits

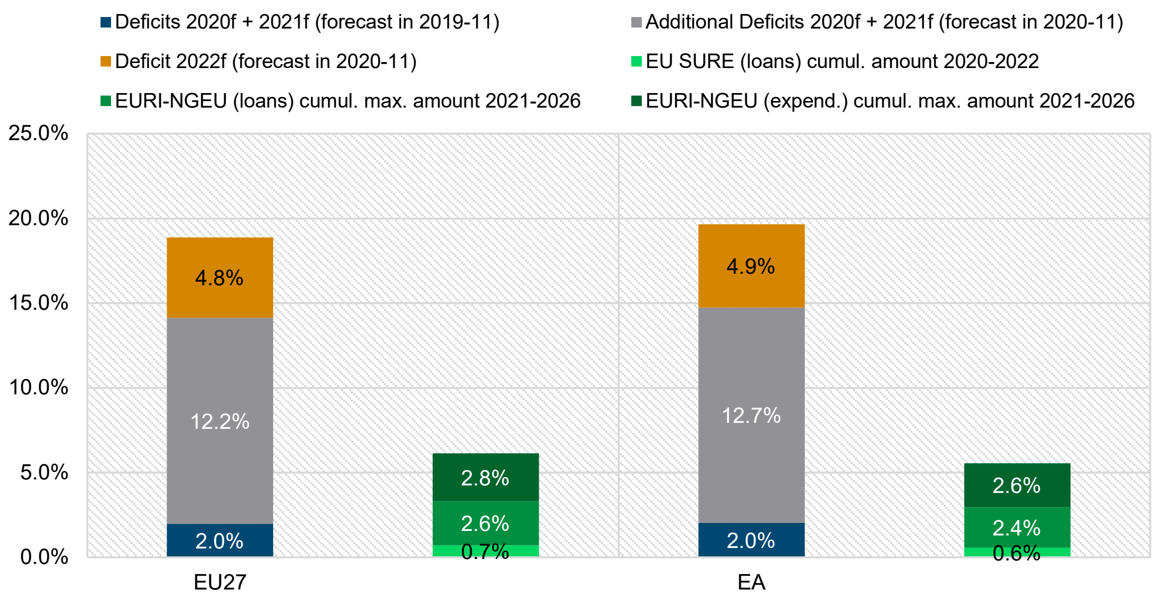
EURI-NGEU will above all provide a highly welcome public investment impulse for structural change – and, in addition, it may moderately enhance the minor common EU fiscal stabilisation policy response (provided via a loan programme called 'Support mitigating Unemployment Risks in Emergency', SURE) by contributing to financing forecast COVID-induced deficits, but it may do so only to a small extent without raising national public debt

Like the MFF programmes, EURI-NGEU programmes have above all a structural policy focus, providing financing for necessary **public investment to foster structural change** under a medium-term perspective. The structural policy-oriented conceptual design explains **EURI-NGEU's overall smaller order of magnitude compared with the COVID-induced fiscal deficit shock** (see Chart 2 for multi-annual figures in % of annual GDP).

In addition to the comparatively smaller total size, the political, legal and administrative hurdles for the chosen EURI-NGEU approach imply that first payments of EURI-NGEU funds will hardly take place before the second half of 2021, and total pay-outs are likely to stretch over six years until end-2026. This **protracted approach** further limits the relevance of EURI-NGEU for financing COVID-induced fiscal deficits.

Chart 2 / Comparing the order of magnitude: Public deficits 2020-2022 vs. SURE 2020-22 and EURI-NGEU's max. amount 2021-26

% annual GDP 2021f (Commission staff forecast 2020-11)



Source: Council (2020b, i), European Commission (2020a, q). EU (2020b). Own calculations.

On the same legal basis as that chosen for the EURI-NGEU, i.e. Article 122 of the TFEU, a relatively minor targeted common fiscal stabilisation policy response has been launched in the form of the **SURE instrument**, which is based on common borrowing, guaranteed by the EU budget and partially pro-rata back-guaranteed by all MS and extends loans to individual MS. These loans increase national public debt as they are not passed-through transfers based on the common repayment obligation (Council, 2020i; Dias and Zoppé, 2020; European Commission, 2020c; Eurostat, 2020a). These loans have been available since September 2020 and help to finance fiscal deficits resulting from job retention schemes, considered by the IMF one of the most effective policies for corporate solvency.

In a similar vein, a substantial **part of EURI-NGEU funds may contribute – even if somewhat belated – to financing forecast COVID-induced deficits** that do not result from EURI-NGEU investments themselves. The national Recovery and Resilience Plan (RRP), which MS must submit to and get approved by the Council to receive (part of) the assigned maximum Recovery and Resilience Facility (RRF) funds, could refer to **some of the RRF regulation's criteria**, such as mitigating the economic and social impact of the crisis or strengthening economic and social resilience. However, overall and for each MS a maximum of about a third of EURI-NGEU expenditures (namely 43% of the RRF expenditures) and all EURI-NGEU/ RRF loans, could be allocated to this purpose. As the drawing of loans raises the national public debt, a maximum of **18% of the allocated maximum EURI-NGEU funds for each MS could finance national deficits without increasing the national public debt**.

Regarding the share of RRF expenditures (not loans) that must be dedicated to **climate-related measures (37%) or digitisation projects (20%),** the question arises as to the extent to which these targeted RRF funds may be used for already previously (i.e. in pre-Covid times) envisaged climate-/digitisation-related investment projects, scheduled for implementation from 2021 onwards (and, hence, in some MS contributing to the 2021 deficit forecast in autumn 2019). The Trilogue-agreed draft RRF regulation does not seem to require exclusively **newly developed, additional projects**. If the RRF's funding ensures that previously envisaged projects which would otherwise have fallen victim to the COVID crisis are upheld, it would already be beneficial in economic terms. Particularly **MS with very high public debt ratios,** where large additional deficits could lead to market funding pressures, might see the need to (further) cut back their public investment ratio and cancel some climate-/digitisation-related projects without RRF funds. Thus, these MS may use these targeted RRF funds partly or even primarily to uphold the timely implementation of **already previously envisaged** climate-specific or digitisation-related projects. Having said that, **all MS which are not in such a delicate position** with respect to public financing would be economically well advised to use the targeted RRF funds exclusively for **additional** climate-/digitisation-related investment projects to accelerate structural change and meet agreed longer-term climate goals. In terms of decision-making, a lot will depend on the political will of each MS, on the one hand, and on the stance of the Commission, which must provide an assessment of each RRP and a recommendation to the Council, on the other.

5) EURI-NGEU impact could be sizeable for EU MS with below-average per-capita income

For several EU MS with below-average per-capita income the impact of the EURI-NGEU could be sizeable, both for structural improvements and potentially for financing COVID-induced fiscal deficits

Turning to the level of individual MS, the RRF as the largest EURI-NGEU programme allocates maximum expenditure amounts to each MS taking into consideration the population size, per-capita GDP, the unemployment rate and GDP loss in 2020 and 2021. Accordingly, on average, **MS with below-average per-capita income** are assigned a maximum expenditure amount relative to GDP of about twice the average EU-allocated maximum expenditure. Moreover, **for most MS with above-average per-capita income** the financial terms of **EURI-NGEU/ RRF loans are unattractive**, as is the case for SURE loans, **leaving the loan volume to other MS**, with a **cap of 6.8% of GNI 2019 per MS** (Council, 2020b). In fact, 6.8% of GNI 2019 of all these other MS almost matches the available loan volume of EUR 360bn, suggesting that this is how the cap's level was found.

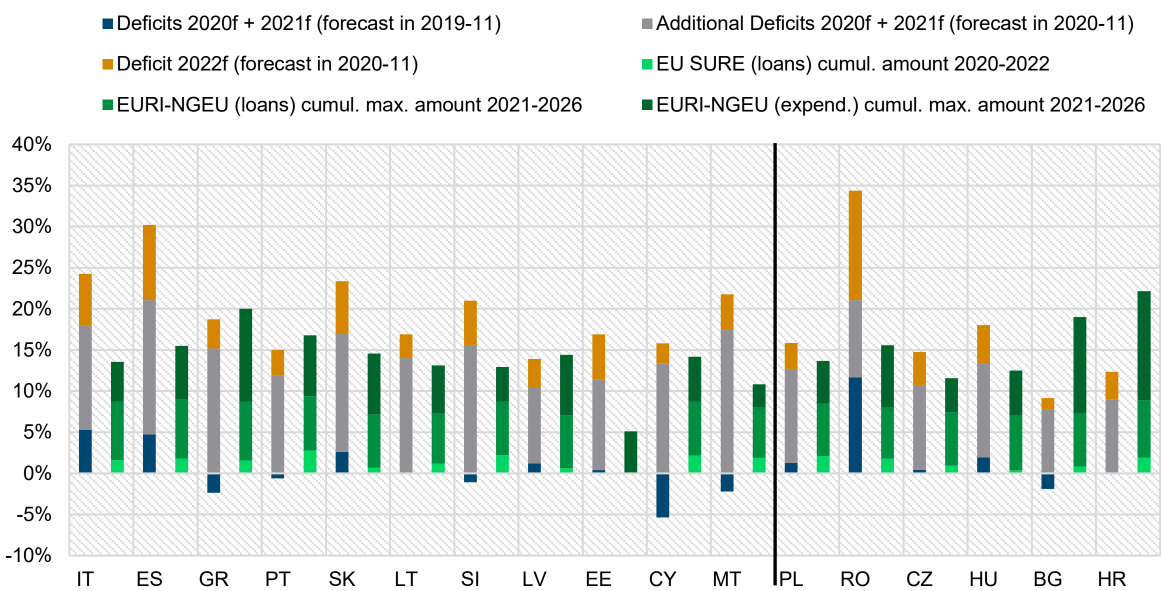
As **EURI-NGEU** programmes have only a **three-year window up to the end of 2023** for concluding commitment agreements over funding (versus seven years under the MFF), particularly MS with below-average per-capita income that are assigned large maximum amounts are likely to envisage in their RRP a portion of RRF funds for financing COVID-induced fiscal deficits, also to lift their absorption rate.

Chart 3 compares the cumulated fiscal deficits forecast for three years (2020-2022) with the estimated allocated maximum amount of EURI-NGEU expenditures and loans payable within six years (2021-2026) on top of SURE loans payable within three years (2020-2022).

For **Bulgaria and Croatia**, these EU funds exceed the cumulated fiscal deficits by far, and for **Greece, Portugal, Cyprus and Latvia** these EU funds are roughly the same size as these deficits. Within the EURI-NGEU funds, **Croatia, Bulgaria and Greece** receive the largest amount of expenditures relative to GDP, followed by Romania, Portugal, Slovakia, Latvia, Spain and Lithuania. This order results after incorporating the European Council's changes to the initial Commission proposal, which implied the most pronounced cuts of EURI-NGEU expenditures for Bulgaria, Greece and Latvia, followed by severe cuts for Lithuania, Poland, Cyprus, Estonia, Romania, Croatia and Slovenia (in order of the size of the cuts relative to GDP; see Annex Table 3).

Chart 3 / Comparing the order of magnitude: For EU-MS of below-average GDP per capita: Public deficits 2020-2022 versus SURE 2020-22 and EURI-NGEU's max. amount 2021-26

% annual GDP 2021f (Commission staff forecast 2020-11)



Source: Council (2020b, i), Darvas (2020a, b, c), European Commission (2020a, q). EU (2020b). Own calculations.

To a large extent, the real value of EURI-NGEU hinges on the successful **implementation of high-quality investment projects**. It will be a major **challenge for the administration and governance** of each member state and the European Commission to couple spending for economic recovery with the start or intensification of structural reforms that tackle climate change, enhance digitisation and, more generally, strengthen the potential for sustainable and inclusive growth.

6) The European Council cut the Commission proposal with respect to crucial programmes

Compared with the Commission's proposal, the European Council position reflected in the final EU budgetary package 2021-2027 envisages:

(a) **a far smaller increase** (relative to EU MFF 2014-2020 levels in 2018 prices) **of EU strategic investments,** including solvency support and strategic value chains (H.1.2);

(b) **even a decline** (relative to EU MFF 2014-2020 levels in 2018 prices) **of funding for external action,** including the Neighbourhood, Development and International Cooperation Instrument (NDICI) and humanitarian aid, with the latter declining by almost 10% (H.6.15; see Annex T.1a-d and T.2).

In response to the pressure from a few member states for an overall reduction in EURI-NGEU expenditures (i.e. non-repayable support in the form of grants and provisions for guarantees), the **European Council decided in July to delete or severely cut expenditures proposed by the Commission** as add-ons to MFF programmes. This led to a decrease in total EURI-NGEU expenditures, the **concentration of the remaining expenditures in the RRF** and an increase in total EURI-NGEU loans, which are available only under the RRF. The RRF funds are exclusively used for implementing Council-approved ***national*** **RRPs**. As a result, particularly EU-wide programmes, within the Union or abroad, received comparatively less than proposed (see Annex Tables 1a-1d & T.2).

Proposed combined MFF+NGEU expenditures 2021-2027 on **EU Strategic Investments** (H.1.2) were cut by about EUR 52bn to EUR 35bn. Particularly the add-ons under EURI-NGEU for these MFF programmes were either wholly rejected by the European Council (Solvency Support Instrument, EUR 26bn) or severely downsized (InvestEU Fund, specifically investments in strategic value chains). Under the MFF ceiling, the Transport-leg of the Connecting Europe Facility was cut. As a result, total combined MFF+NGEU expenditures for EU Strategic Investments increased from EU MFF 2014-2020 levels in real terms not by EUR 52bn but only by EUR 7bn, mainly for the Digital Europe programme.

Proposed combined MFF+NGEU expenditures 2021-2027 on **External Action** (H.6.15) were cut by almost EUR 20bn to EUR 85bn. The sub-heading External Action mainly comprises spending for the NDICI and humanitarian aid. Particularly the add-ons under EURI-NGEU for these MFF programmes, namely provisions for guarantees in cooperation with the UN, the World Health Organisation (WHO) and International Financial Institutions (IFIs) for African and neighbourhood countries (EUR 10.5bn) and additional humanitarian aid to address growing needs in the most vulnerable parts of the world as a result of COVID-19 (EUR 5bn) were wholly rejected by the European Council.

As a result, total combined MFF+NGEU expenditures for External Action *declined* from EU MFF 2014-2020 levels in real terms by about EUR 2bn, implying a decline of the ratio to GNI from 0.095% to 0.087%. Within this sub-heading the EU programme for humanitarian aid declines by almost 10%.

On top of this, the proposed volume 2021-2027 for the **special instrument 'Solidarity and Emergency Aid Reserve'** (SEAR), which is activated only in case of need and mainly focuses on member states and accession countries but may partly also serve third countries, was cut by the European Council by a total of EUR 20bn to EUR 8bn.

These decisions stand in stark contrast to the figures provided monthly by the **UN Organisation for the Coordination of Humanitarian Affairs (OCHA)**, showing that during 2020 the gap between humanitarian funding required and funding received widened sharply on a year earlier in the wake of COVID-19. For instance, at the end of October 2020 the amount required was USD 39.3bn, but the sum received was only USD 15bn (UN-OCHA, 2020).[2]

Overall, one has the impression that the EU budgetary package **proposal by the European Commission** in response to COVID-19 as a global pandemic was less self-centred but rather **more ambitious, globally outreaching and forward-looking** than the final EU budgetary package marked by the European Council positions.

7) The 30% climate-spending target is highly welcome but at quite a risk to be missed

While the 30% climate-spending target of the final EU budgetary package 2021-2027 is highly welcome, it is less consistent than the lower target proposed by the Commission, and there is quite a risk of missing the target altogether

On the one hand, the **European Council made cuts to climate-specific programmes proposed by the Commission**. In particular, the proposed combined MFF+NGEU expenditures 2021-2027 on the Just Transition Fund (within H.3.9 Environment and Climate Action), designed to provide social support to speed up the exit from climate-damaging production, were cut by EUR 22.5bn to EUR 17.5bn (see Annex T.1a-d and T.2).

On the other hand, the **European Council increased the overall target of climate-related spending from 25% to 30%** of combined MFF+NGEU expenditures excluding loans (EU, 2020d), coupled with the introduction of the 'do-no-harm' principle. Despite the lower volume of overall MFF+NGEU expenditures in the final package than in the Commission proposal, the higher target requires higher climate spending also in absolute terms (EUR 439bn versus EUR 400bn). Thus, the question arises whether the higher target will be realistically achievable at all after the above-mentioned cuts by the European Council.

To **track climate spending**, the Commission has traditionally used a simple and pragmatic methodology based on three coefficients adapted from the OECD: 100 %, assigned to EU funding with a significant contribution to climate objectives; 40 %, awarded to funding with a moderate contribution; and 0 %, allocated to funding with an insignificant or zero contribution (ECA, 2020a).

However, for measuring the achievement of the climate target for MFF+NGEU expenditures in 2021-2027, the Commission decided to use a more differentiated approach. Annex Table 5 shows the spending categories to which the Commission assigns non-zero coefficients and the expected minimum contribution in each spending category as the assigned coefficient (European Commission, 2020n).

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2 In view of this contrast, in the Trilogue negotiations the European Parliament succeeded in at least moderating slightly the decline for the EU NDICI programme within External Action by allocating a top-up of EUR 1bn outside the MFF ceilings from decommitments (Joint Declaration, 2020b).

Annex Table 5 shows that, according to this methodology, the **finally agreed financial envelopes** imply aggregate climate-related spending of EUR 415bn, hence **below the target level**, amounting to about 28% (instead of the targeted 30%) of overall expenditures. This results mainly from the cut in the proposed size of the climate-specific programme Just Transition Fund (H.3.9), but also from cuts compared with the Commission proposal for EU strategic investments, research and external action. By contrast, the Commission proposal resulted in a higher level of climate-related spending of EUR 452bn, which amounted to not more than 28% of overall expenditures (given the higher overall expenditures under the Commission's proposal) but was consistent with the Commission's lower target of 25%.

Note that these estimates assume that the **still pending Trilogue agreement on agriculture spending in the years 2023-2027** – that is, the composition and conditions of expenditures for agriculture – will result in the same level of climate-related spending on agriculture as proposed by the Commission. For instance, the assignment and size of coefficients must be determined in advance in the CAP Strategic Plan Regulation. It is noteworthy that the Commission's CAP reform proposal allocates a 40% weighting to the decoupled direct payments in the form of the 'basic income support for sustainability' (BISS) and the 'complementary redistributive income support for sustainability' (CRISS), which the Commission bases on an assumption of an ambitious system of conditionality (European Commission, 2020l) established by legal obligations.

Moreover, the devil is in the detail: while the applied methodology has the advantage of being simple and pragmatic, according to 'Tracking climate spending in the EU budget', the recent review of the **European Court of Auditors,** it may result in overstating estimates: *'In 2019, the Commission reported that the EU budget was on course to deliver 19.7 % budget spending on climate for the 2014-2020 programme period. The methodology for tracking climate spending had remained largely unchanged since the publication of our 2016 report. It therefore continues to overestimate the contribution of certain common agricultural policy schemes to tackling climate change. Here, we flag up the risk that some expenditure in agriculture and cohesion policies could speed up climate change. The research sector is lagging behind in reaching its ambitious 35% climate-spending target.'* (ECA, 2020a).

Note that BISS and CRISS are annual payments per eligible hectare, which may be differentiated by farm size and/or group of territories with similar socioeconomic or agronomic conditions but are accessible to all farmers who comply with the legally required minimum standards with respect to the environment and climate action.

By contrast, decoupled direct payments to support 'voluntary schemes for the climate and the environment' ('eco-schemes'), under which genuine farmers make commitments to observe agricultural practices beneficial for the climate and the environment that go beyond legal minimum requirements (but may still fall short of organic farming) receive a coefficient of 100%. At present, the positions of the Council and the European Parliament differ with respect to the share of pillar 1 (direct payments) that must be spent ('ring-fenced') for eco-schemes: 20% (Council) or 30% (EP). In parallel, member states will remain obliged to earmark ('ring-fence') a minimum share of their pillar 2 (rural development) funding to be spent on the environment and on climate-related initiatives, which also receives a coefficient of 100%. Here the Council aims at 30% (as proposed by the Commission), while the EP demands 35% (Council, 2020c; European Commission, 2018e, 2019, 2020k; EP, 2020g; Giegold, 2020a).

Obviously, **doubts relate mainly to whether a climate weight of 40% is fully appropriate (and not too high) for** BISS and CRISS payments, which have a **large share in the sizeable EU agriculture expenditure**. Thus, both calculations in Annex Table 5 for climate-related spending within MFF+NGEU expenditures may be too optimistic.

Separately, note that the **Just Transition Fund** finances neither nuclear fuel nor fossil fuel (EP, 2020j). The same applies to the **regional cohesion funds (ERDF and CF)** except for certain uses of natural gas, but to a limited extent: *'The decommissioning or construction of nuclear power stations, activities linked to tobacco products, airport infrastructure (except for outermost regions), fossil fuels investments, among others, will be excluded from EU regional funding. An exception is made for natural gas projects that replace coal-based heating systems or retrofit gas infrastructure to allow the use of renewable and low carbon gases….'* A maximum of between 0.2% and 1.55% of national ERDF and CF resources may be approved for such investments, according to criteria linked to GNI levels and dependence on fossil fuels, up to 31 December 2025 at the latest. Moreover, a potentially unlimited and permanent exception applies to 'public procurement of clean vehicles' using natural gas (EP, 2020i).

More generally, recent Council conclusions on energy policy imply that the focus of EU budgetary spending to foster hydrogen production is on hydrogen from renewable sources, without explicitly excluding hydrogen production based on nuclear energy (under the ambiguous term 'low-carbon technology') (Council, 2020j). However, nuclear energy may be considered as violating the 'Do-No-Harm' principle of the European Green Deal, the EU budget should comply with according to the IIA.

8) Progress on the revenue side is still incomplete and further negotiations must follow soon

The new national contributions to the EU budget as of 2021, based on the quantity of plastic waste, is welcome, albeit weakened by lump-sum reductions for MS with below-average income per capita introduced by the European Council. The Interinstitutional Agreement (IIA) on a roadmap for new own resources as revenues for the EU budget, particularly for future interest payment and repayment of borrowing for EURI-NGEU expenditures, is welcome, but it is just a starting point

The European Parliament's success in the Trilogue to include a roadmap for new OR into the legally binding IIA between the Council, the Commission and the European Parliament is welcome, as is the agreement that revenues from new OR introduced after 2021 must be sufficient to cover future interest payment and repayment of borrowing for EURI-NGEU expenditures. Negotiations on specific new OR must follow soon, as the roadmap envisages the introduction of (a) a **carbon border adjustment mechanism** (CBAM), (b) a **digital levy** and (c) a contribution based on the **EU Emissions Trading System** (ETS), possibly extended to aviation and maritime transport, **by 1 January 2023**. Additional new OR, which could include a **Financial Transaction Tax** (FTT) and a **financial contribution linked to the corporate sector** or a new common corporate tax base, are scheduled for 1 January 2026. In fact, this roadmap takes up two elements of the initial Commission proposal for new OR, namely ETS revenues and a Common (Consolidated) Corporate Tax Base (CCTB/CCCTB), proposed by the Commission already in 2016.

In this context, **taxation measures to address rising inequalities**, such as solidarity surcharges or a net wealth tax, are neither mentioned nor excluded as part of the 'additional new own resources'. Indeed, within the EU member states both **income and wealth inequality** were sizeable already prior to COVID-19 (ECB, 2020c; Eurostat, 2020b), and they are **very likely to increase further** in the wake of the COVID crisis. In preparing EURI-NGEU, **France** proposed an **EU-wide 'solidarity tax' for financing the repayment** of common borrowing, without elaborating on its potential design (Non-paper, 2020a). **Related to income**, one may note that a **'solidarity surcharge'** has been in place **in Germany since 1995** to finance the costs of German reunification. Since 2021 it takes the form of a certain percentage of the annual income tax debt that exceeds the exemption limit of EUR 16,956 for a single taxpayer, with the surcharge percentage rate rising gradually up to 5.5% for tax debt levels above EUR 20,000; about 10% of taxpayers have a tax debt exceeding the exemption limit (Bundesregierung, 2019).

Related to wealth, one may look at the recent discussion on net wealth taxes, which the OECD Centre for Tax Policy and Administration considers **an effective policy substitute where a country does not have a broad-based capital income tax, including a tax on capital gains and a well-designed inheritance tax** (OECD, 2018). For the US, Saez and Zucman (2019) proposed a **progressive wealth tax**, starting with an annual 2% tax at household net wealth of USD 50m and rising to an annual 3% tax at household net wealth of USD 1bn or more. In a European context, raising such taxes in a harmonised manner in all EU member states would certainly have several advantages with respect to reducing the risk and extent of possible tax evasion. The OECD highlighted that introducing such new taxes is less difficult at a time of major policy reform, and the willingness to move to such a system by a growing number of countries 'could be further facilitated by international cooperation and coordination'. (OECD, 2020, p.42). Note that Guvenen et al. (2019) find **net wealth taxes to be superior to capital income taxes**, because under capital income taxation the unproductive entrepreneur (who generates zero or low capital income and thus has a zero or low return on wealth) escapes taxation, so that the tax burden falls entirely or primarily on the productive entrepreneur. By contrast, under wealth taxation both entrepreneurs will pay the same amount of tax regardless of their productivity. Over time this **'use-it-or-lose-it' effect** of net wealth taxation would weaken the rentier economy, as it would boost the capital stock of productive entrepreneurs, leading to a more efficient capital allocation, and raise productivity and output.

Under the unlikely assumption that there will be no other revenues from new OR introduced after 2021 for repayment, the *average* **annual repayment on total borrowing for EURI-NGEU expenditures** of EUR 390bn (down from EUR 500bn initially under the Commission's proposal) would require national contributions from current OR of EUR 10.4bn for the EU and EUR 0.30bn for Austria, both equal to 0.075% of respective GDP 2019 (down from EUR 13.3bn, EUR 0.38bn and 0.10% of GDP 2019 initially). The *maximum* annual repayment would be EUR 29.3bn for the EU and EUR 0.84bn for Austria, equal to 0.21% of GDP 2019.

9) The European Council increased ‘rebates’ as privileges of a few member states

The European Council missed the opportunity to phase out all rebates on GNI-based national contributions after Brexit, while it even increased extraordinary privileges of a small group of member states. This indicates a need for reform.

The **European Council agreed on substantial increases of the national rebates on the GNI-based national contributions of four MS (Austria, Denmark, the Netherlands and Sweden)** and left the rebate for Germany unchanged, although both the European Commission and the European Parliament had advocated a phase-out of all rebates. By contrast, as before, there will be no rebates for other MS, including those which usually have net paying positions of a similar size relative to GNI (France, Italy, Finland), except for Germany.

Annex Table 4 shows: (a) the size of the (gross) rebate as a percentage of the benefiting MS’ GNI; as a result of its particularly large increase, the rebate for Austria now amounts to 0.14% of GNI 2019, higher than the rebates for Germany and Denmark but still lower than those for Sweden and the Netherlands; (b) net rebates, as the increase of gross rebates is partially already self-defeating, given that all MS, including those benefiting from rebates, must finance the overall volume of gross rebates; the net rebate for Austria amounts to 0.09% of GNI; and (c) first guesstimates of the MS’ net positions after Brexit and considering these rebates. Accordingly, Austria’s annual net paying position as a percentage of GNI is smaller than that of France, Germany and Italy and is probably more comparable to that of the Netherlands and Sweden. Austria succeeded in lowering the size of its fiscal net transfers to the EU budget to the lower Dutch and Swedish levels by lifting its rebate disproportionately strongly.

The argument put forward for such a rebate is that in the case of an MS benefiting from a rebate, the national contribution derived from the same share of GNI as for all other MS is higher (in absolute terms) than what the MS receives according to the commonly agreed rules from EU MFF programmes. This is **like advocating a regressive tax scale for the personal income tax** (PIT) – the more income you have, the lower the share of income you pay – just because you get less cash transfers in return for your tax payment, completely ignoring the overall benefit, including for you, of financing the functioning of the state and a social system for society. Moreover, this argument is flawed, as not all the net-paying MS enjoy a rebate. The quite questionable justification for this reads like: ‘Rebates are not rules-based but immediate negotiating results.’ The present outcome is strongly **linked to the fact that ‘the Council decision on the system of own resources’ does not require the consent of the European Parliament**, indicating a need for reform.

Now, after Austria succeeded in lowering the size of its fiscal net transfers to the EU budget to the lower Dutch and Swedish levels by lifting its rebate disproportionately strongly to about 0.14% of GNI, one may wonder even more whether it would not be highly appropriate to also lift Austria’s annual official development assistance (ODA) of a meagre 0.26% of GNI to a level comparable to that of the Netherlands (0.62%) and Sweden (1.04%).

CONCLUSIONS

The EU budgetary package 2021-2027 is a major joint effort in response to the severe economic crisis resulting from the COVID-19 pandemic. The European Union Recovery Instrument, called Next Generation EU (EURI-NGEU), complements the regular Multiannual Financial Framework (MFF) and is funded through common borrowing on the capital markets by the European Commission on behalf of the Union. This common borrowing does not increase the national public debt levels. EURI-NGEU increases total EU budgetary expenditures (non-repayable) in real terms by a third and provides another third as funding for loans.

While fully acknowledging the historic step forward, one must recall that even when including EURI-NGEU expenditures, the EU budget remains tiny at just 1.5% of GNI, as opposed to national public expenditures of about 50% of GDP on average in the EU. Moreover, the rise in the expenditures-to-GNI ratio compared with the EU27 MFF 2014-2020 is only 0.3 percentage points. In this vein, it is obvious that the EU budgetary package is not a substitute but is complementary to EU central banks' quantitative easing (QE) policies for preserving macroeconomic stability. These unconventional monetary policies were even more necessary in 2020, when euro area governments posted net issuance of national sovereign debt of 9.4% of annual GDP already in the first three quarters, while the ECB's net purchases of public-sector debt on the secondary market amounted to 6.4%. The ECB's QE will remain indispensable for quite some time to ensure both the functioning of the monetary transmission mechanism and financial stability, including by minimising the risk of destabilising sovereign debt crises.

The EU budget, and particularly EURI-NGEU, will above all provide a highly welcome public investment impulse for structural change – and, in addition, EURI-NGEU may moderately enhance the minor common EU fiscal stabilisation policy response (provided via a loan programme called 'Support mitigating Unemployment Risks in Emergency', SURE) by contributing to financing forecast COVID-induced deficits, but it may do so only to a small extent without raising the national public debt. Within total expenditures (not loans) of the 'Recovery and Resilience Fund' (RRF), the largest EURI-NGEU programme, the target share of spending on climate-related measures is set at 37% and that for digitisation projects at 20%, to foster structural change. All MS that do not have very high public debt ratios, where large additional deficits could lead to market funding pressures, would be economically well advised to use these targeted RRF funds exclusively for additional climate-/digitisation-related investment projects to accelerate structural change and meet agreed longer-term climate goals, instead of using them for already previously (i.e. in pre-Covid times) envisaged climate-/digitisation-related investment projects. In terms of decision-making, a lot will depend on the political will of each MS and on the stance of the Commission.

Particularly for several EU member states with below-average per-capita income the impact of EURI-NGEU could be sizeable, both for structural improvements and potentially for financing COVID-induced fiscal deficits. To a large extent, the real value of EURI-NGEU hinges on the successful implementation of high-quality investment projects. It will constitute a major challenge for the administration and governance of each member state and the European Commission to couple spending for economic recovery with the start or intensification of structural reforms that tackle climate change and enhance digitisation and, more generally, strengthen the potential for sustainable and inclusive growth.

Compared with the Commission's proposal, the European Council position reflected in the final EU budgetary package 2021-2027 envisages – relative to EU27 MFF 2014-2020 levels in 2018 prices – a far smaller rise in EU-wide strategic investments, while concentrating EURI-NGEU funds on national recovery and resilience plans. Moreover, the final EU budget resulting from the European Council decisions even envisages a decline (instead of the proposed substantial increase) in funding for external action, including the Neighbourhood, Development and International Cooperation Instrument (NDICI) and humanitarian aid. The latter stands in stark contrast to the fact that the gap between humanitarian funding required and funding received has widened sharply on a year earlier in the wake of COVID-19, according to the UN Organisation for the Coordination of Humanitarian Affairs (OCHA). Indeed, the EU budgetary package proposed by the European Commission in response to COVID-19 as a global pandemic was less self-centred and instead more ambitious, globally outreaching and forward-looking.

While the climate-spending target of 30% of the aggregate volume of expenditures under the finally adopted EU budgetary package 2021-2027 is highly welcome, it is less consistent than the lower target of 25% proposed by the Commission, and there is quite a risk of missing it altogether. In addition, both the proposed and the final budgetary package could fail to reach their respective climate target in view of doubts whether a climate weight of 40% is fully appropriate (and not too high) for a large share of sizeable EU agriculture expenditure, namely decoupled and possibly differentiated direct payments per eligible hectare accessible to all farmers who comply with the legally required minimum standards with respect to environment and climate. Having said that it is welcome that the Commission has committed to underpin the climate spending target by issuing 30% of the common borrowing for EURI-NGEU under a 'green bond standard'.

On the revenue side, the new national contribution to the EU budget as of 2021, based on the quantity of plastic waste, is welcome, albeit weakened by lump-sum reductions for member states with below-average income per capita introduced by the European Council. The Interinstitutional Agreement (IIA) on a roadmap for new own resources as revenues for the EU budget, particularly for future interest payment and repayment of EURI-NGEU borrowing, is welcome, but it is just a starting point. Negotiations on specific new own resources must follow soon, as the roadmap envisages the introduction of a carbon border adjustment mechanism, a digital levy and a contribution based on the EU Emissions Trading System, possibly extended to aviation and maritime transport, by 1 January 2023. Additional new own resources, which could include a financial transaction tax and a financial contribution linked to the corporate sector, are scheduled for 1 January 2026. In view of sizeable income and wealth inequalities, which are very likely to increase further in the wake of the COVID crisis, taxation measures to address rising inequality, such as a solidarity surcharge or net wealth tax, would be worth considering as part of the 'additional new own resources'.

Finally, despite the proposal by the Commission and the European Parliament resolutions, the European Council missed the opportunity to phase out all rebates on GNI-based national contributions after Brexit, while it even increased extraordinary privileges of a small group of member states (Austria, Denmark, the Netherlands and Sweden). There is no economic justification for designing the national contribution of these MS in such a regressive manner. By contrast, as before, there will be no rebates for other MS, including those which usually have net paying positions of a similar size relative to GNI (France, Italy, Finland), except for Germany. This outcome is strongly linked to the fact that the 'Council decision on the system of own resources' does not require the consent of the European Parliament, indicating a need for reform.

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ANNEX 1: OVERVIEW - KEY FACTS OF THE EU BUDGETARY PACKAGE 2021-2027

1.1. Revenue side

The Council Decision on Own Resources (OR) in 2021-2027 (EU, 2020c), which still requires ratification by the national parliaments of the member states (MS), stipulates:

› **A permanent increase of OR ceilings to 1.46% of gross national income (GNI) of the EU** for commitment appropriations and 1.40% for payment appropriations, as proposed by the Commission (European Commission, 2020i), from 1.26% for the EU28 in 2014-2020. This increase is motivated by catering for the COVID-19-induced larger uncertainty and lower GNI implying smaller absolute amounts of previously proposed ceilings. The underlying reason is that the overall margin (also called headroom) between the OR ceilings and the MFF ceilings must be sufficiently large to ensure that the EU is in a position to cover all of its financial obligations and contingent liabilities in any given year and under any circumstances, even in case of negative economic developments (Art.310(4) and 323 TFEU).

› **The introduction of a new own resource, consisting of member states' contributions based on the quantity of non-recycled plastic packaging waste** from 1 January 2021, calculated by applying a uniform call rate of EUR 0.80 per kilogram. However, contrary to the Commission's proposal, this is coupled with an annual lump-sum reduction (equal to 3 kilograms multiplied by the population) for MS of below-average per-capita income.

This new OR comes in addition to:

(a) the **customs duties as the traditional OR (TOR) minus 25%** of TOR retained by the MS as collection cost; whereas the Commission had argued that a deduction of 10% (instead of previously 20%) would reflect the collection cost more accurately, the Council increased it to 25%.

(b) the national **VAT-based contribution**, calculated by applying a uniform call rate of 0.30% to the VAT base, which is, however, capped at 50% of GNI, contrary to the Commission's proposal.

(c) the national **GNI-based contribution**, the by far largest own resource.

› **Rebates on national GNI-based contributions** were hiked for the Netherlands, Austria, Sweden and Denmark and left unchanged for Germany, whereas both the Commission and the European Parliament had pushed strongly for their abolition. As before, there will be no rebates for other MS, including those which usually have net paying positions of a similar size relative to GNI (France, Italy, Finland).

› **Empowerment of the Commission to borrow on the capital markets for the EU budget's EURI-NGEU up to EUR 750bn** (in 2018 prices).

Hence, **a temporary increase of the OR ceilings** (on top of the permanent one) **to 2.06% of GNI** for commitments to provide a guarantee by MS for future annual repayment amounts after end-2027 until end-2058, with the maximum annual repayment amount set equal to 7.5% of EUR 390bn, the maximum volume of borrowing for EURI-NGEU expenditures (that is, grants and provisions for guarantees). This guarantee by MS takes the form of a **(potential suite) of pro-rata guarantees**: if a member state fails, in full or in part, to honour a call for contribution, the Commission has the right to make additional pro-rata calls on the other MS, ensuring the EU budget borrowing's triple-A-rated creditworthiness.

The **Eurostat draft guidance** of 17 November stipulates that **this EU budget borrowing will not increase MS' national debt**, i.e. no 'rerouting' (Eurostat, 2020a).

Besides, note that the **Commission president, Ursula von der Leyen,** specified in her State of the Union address to the European Parliament on 16 September 2020: *'And I can today announce that we will set a **target of 30%** of NextGenerationEU's 750 bn euro to be raised through **green bonds**.'* (European Commission, 2020r).

The 'Interinstitutional Agreement' (IIA), a legally binding text between the European Parliament, the Council and the Commission (EU, 2020d), contains an agreement on 'Interinstitutional Cooperation on a Roadmap towards the **Introduction of New Own Resources**' as Annex 2. Part A. stipulates **principles**, highlighting in particular that the new OR shall cover repayment and interest payments of borrowing for EURI-NGEU expenditures so that the financing costs of EURI-NGEU will not reduce MFF expenditures. The agreement on this principle was a condition of the European Parliament for giving its consent to the MFF regulation, although this regulation put envisaged interest payments on EURI-NGEU borrowing of EUR 12.9bn in the period 2021-2027 below the MFF ceilings, reducing other MFF expenditures.

Part B. contains the agreed **roadmap** towards new own resources:

› **By June 2021** the European Commission will put forward proposals for new own resources based on (a) a **carbon border adjustment mechanism** (CBAM), (b) a **digital levy,** and (c) the **EU Emissions Trading System** (ETS), possibly extended to aviation and maritime transport.

› By 1 July 2022 at the latest the Council will deliberate on these new own resources with a view to their introduction at the latest **by 1 January 2023**.

› **By June 2024** the Commission shall endeavour to make a proposal for additional new own resources, which could include a **Financial Transaction Tax** (FTT)[3] and a **financial contribution linked to the corporate sector** or a new common corporate tax base.

› By 1 July 2025 at the latest the Council will deliberate on these new own resources with a view of their introduction **by 1 January 2026**.

Note that the Commission's proposal of 2018 for the OR decision in 2021-2027 already included national contributions based on (a) ETS revenues, by allocating to the EU budget a share of 20% of revenues from the auctioning of certain parts of total allowances, yielding about EUR 1.5bn-3bn annually, and (b) a Common (Consolidated) Corporate Tax Base (CCTB/CCCTB, proposed by the Commission in 2016), by applying a uniform call rate of 3%, yielding EUR 12bn annually (European Commission, 2020i).

[3] On establishing a FTT-based own resource, the Commission issued a unilateral declaration: 'The Discussions on the FTT under enhanced cooperation are ongoing with a view of their finalisation by the end of 2022. Should there be an agreement on this FTT, the Commission will make a proposal in order to transfer revenues from this FTT to the EU budget as an own resource. If there is no agreement by end of 2022, the Commission will, based on impact assessments, propose a new own resource, based on a new FTT.' (European Commission, 2020o).

1.2. Expenditure side

The Council Regulation laying down the multiannual financial framework for the period 2021-2027 (EU, 2020a) stipulates:

- **An MFF 2021-2027 ceiling of EUR 1,074bn (1.10% of GNI 2021-2027)** for commitment appropriations, **lower than the ceilings of EUR 1,100bn (1.13%)** proposed by the Commission in May 2020 **and lower than actual MFF expenditures of EUR 1,083bn (1.19% of GNI 2014-2020) in the MFF 2014-2020, adjusted** by excluding the UK (hence 'EU27 MFF 2014-2020') and including the European Development Fund and amending budgets, with all figures in 2018 prices (European Commission, 2020d, e, f, h; EP Committee on Budgets Secretariat, 2020a, b).[4] See Annex Tables 1a and 1c for more details on the figures provided in this sub-chapter.
- Thus, the **ex-ante overall margin (headroom** between OR ceilings and MFF ceilings) emerges as **0.36% of GNI 2021-2027**, compared with 0.26% for the EU28 in the period 2014-2020.
- So-called **'special instruments', which** are placed outside the MFF ceilings because they are not appropriations but are activated (turned into appropriations) only in case of need. Under the MFF regulation for 2021-2027, the aggregate volume of these instruments is **raised to 0.02% of GNI**, from 0.01% of GNI in the EU27 MFF 2014-20, mainly on the back of the introduction of a 'Brexit adjustment reserve' in the event of a 'hard Brexit'. The 'Solidarity and Emergency Aid Reserve' targets mainly EU member states and accession countries.

The Council Regulation establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis (EU, 2020b) stipulates:

- **EURI-NGEU** equal to **EUR 750bn or 0.77% of GNI 2021-2027**, as proposed by the Commission. **However**, the **European Council** changed the proposed use of these funds by **lowering expenditures** (non-repayable support in the form of grants and provisions for guarantees) **to EUR 390bn or 0.40% of GNI 2021-2027** from EUR 500bn or 0.51% proposed, and raising loans to EUR 360bn (0.37%) from EUR 250bn (0.26%) (European Commission, 2020d, e, f, g; EUCO, 2020b).
- Thus, **combined MFF+NGEU expenditures** (that is, excluding loans) in 2021-2027 will amount to **1.50% of GNI** 2021-2027, **after** actual MFF expenditures for EU27 of **1.19% of GNI** (or 1.21%, see footnote) in the period 2014-20.
- EURI-NGEU allocates its funds mainly to the **new Recovery and Resilience Facility (RRF)**, comprising **EUR 312bn expenditures**, equal to **80%** of total EURI-NGEU expenditures, and **all loans under EURI-NGEU**.
- The remaining EURI-NGEU expenditures are **add-ons to MFF programmes**, and these add-ons were **cut by the European Council** (EUCO, 2020b), with **EU strategic investments** (including solvency support)**, external action** (neighbourhood, development, international cooperation and humanitarian aid) and **climate action** being **most affected**, as can be seen clearly in Annex Table 2. Note that in the case of external action and climate action these cuts came in addition to

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[4] Note that the sum of MFF expenditures for programmes and sub-headings in 2014-2020 amounted to 1.21% of GNI 2014-2020 and hence was higher than the sum of MFF headings (1.19%). This implies that under several MFF headings the margin turned out negative ex-post, suggesting a tapping of the overall margin, that is, the headroom between the higher OR ceiling and the lower MFF ceiling.

cuts in the programme expenditure under the MFF ceiling compared with the Commission's proposal (see Annex Table 1a).

› 60% of EURI-NGEU expenditure commitment appropriations must be used by end-2022, the remainder by end-2023, with payments made until end-2026.

Resulting composition of MFF+NGEU expenditures:

› **Compared with EU27 MFF 2014-2020**, combined **MFF+NGEU expenditures** are **lower** for **agricultural spending** under both pillar 1 (direct payments according to farm size but capped) and pillar 2 (rural development), and for **external action.**[5]

› Apart from the new RRF, the **largest increases** in euro terms emerge (in the given order) for (1) climate action (via the Just Transition Fund); (2) regional cohesion;[6] (3) research; (4) social cohesion via Erasmus+; (5) border management (including via Frontex); (6) defence (via the European Defence Fund); and (7) EU strategic investments for digitisation. In contrast to border management, the Asylum-Migration-Integration Fund (AMIF) receives a relatively small increase.

› Within the **combined MFF+NGEU expenditures** (that is, excluding loans), the following EU programmes have the **largest shares**:

› RRF: 21%; Agriculture pillar 1: 18% and pillar2: 6%; Regional cohesion: 20% (including 14% ERDF for all MS, 3% Cohesion Fund for MS with GNI per capita below 90% of EU average and 3% ReactEU for short-term COVID response); Social cohesion via 'ESF+': 6%; Research: 6%; External action: 6%.

› The shares under **MFF only**: Agriculture pillar 1: 24% (EU27 2014-20: 27%) and pillar 2: 7% (2014-20: 9%); Regional cohesion: 23% (25%); Social cohesion via ESF+: 8% (9%); R&D: 8% (7%); External action: 8% (8%); see Annex Table 1d.

› **The climate spending target** is set at **30%** of combined **MFF+NGEU expenditures** (excluding loans) according to the legally binding Interinstitutional Agreement between the European Parliament, the Council and the Commission (EU, 2020d), whereas the Commission proposed 25% (EP-CoB, 2020). For **RRF expenditures** (that is, excluding loans), the target is **37%.** Moreover, the regulations ensure that expenditures would respect the **'do-no-harm'** principle (Council, 2020b, h).

Adjustments resulting from the Trilogue agreement:

› Compared with the European Council conclusions and its ensuing positions, the EURI-NGEU size and composition remained unchanged. Initially, the MFF ceilings remain unchanged too, as set out in Annex I of the MFF regulation (EU, 2020a). However, from 2022 to 2027 the **MFF ceilings will be lifted by EUR 11bn, or 0.01% of GNI 2021-2027,** financed from competition fines paid by companies which fail to comply with EU rules – see Article 5 and Annex II of the MFF regulation (EU, 2020a). Together with EUR 1.5bn decommitments (Joint declarations, 2020b, c) an aggregate of **EUR 12.5bn** is **allocated as a top-up to certain EU programmes** in the following order of

[5] MFF+NGEU expenditure is lower also for the European Social Fund+ (ESF+). However, MS may allocate part of total spending in the EURI-NGEU programme ReactEU (subsumed under regional cohesion) to ESF+ (EP, 2020k).

[6] The increase in spending for regional cohesion would be in third place (not second) if the cuts in ESF+ were fully offset by part of ReactEU spending. Without ReactEU, regional cohesion spending would fall.

magnitude to: (1) Research; (2) EU4Health; (3) Erasmus+; and (4) in equal size to EU strategic investment, border management and (only from decommitments) external action.

- As a result of these top-ups, 'research' switches to first place in the above-mentioned order of EU policy areas by the size of spending increase compared with EU27 MFF 2014-20, which otherwise remains unchanged.
- Moreover, these top-ups raised the MFF ceiling eventually to **EUR 1,085bn** for commitment appropriations, which is **higher than actual MFF expenditures of EUR 1,083bn for the EU27 in the MFF 2014-20** and thus fulfils one objective of EP negotiators (EP-CoB 2020, p.32). However, it remains lower relative to GNI.[7]

The Interinstitutional Agreement, being legally binding between the European Parliament, the Council and the Commission (EU, 2020d):

- contains a section that **enhances the involvement of the European Parliament** (as one arm of the EU's budgetary authority) **in the use of EURI-NGEU revenue.** This comprises detailed information and updates, regular interinstitutional meetings, the adoption of an annex to the annual budget and a procedure to address deviations. Such involvement was one major demand by the European Parliament in view of the fact that the EURI-NGEU is set up with a legal basis that excludes the Parliament from the legislative decision-making procedure (Article 122, TFEU), giving rise to funds that enter the budget as external assigned revenues that bypass normal budgetary procedure (EP-CoB, 2020, p.35).
- sets an overall **climate target** (see above) and introduces an **annual biodiversity target**, i.e. expenditure for halting or reversing the decline of biodiversity of 7.5% in 2024 and 10 % in 2026 and in 2027 of annual MFF spending.

Sectoral legislation:

- **RRF funds require** the submission by MS of **national Recovery and Resilience Plans** (RRPs), including targets (minimum 37% of expenditures for climate and 20% for digitisation) and timelines, with later **payments upon fulfilment of targets and milestones.** The RRP and each payment require a positive **assessment by the Commission**. In addition, the **Council introduced the requirements** of an implementing Council decision by qualified majority for the RRP and a unanimous supporting opinion by the Economic and Financial Committee (EFC) for each payment (Council, 2020b; EUCO, 2020b).
- The already Trilogue-agreed '**Technical Support Instrument**' (TSI) aims to support member states in elaborating compliant and fit-for-purpose recovery and resilience plans.

[7] Note that the Trilogue agreement comprised further top-ups worth EUR 2.5bn that were achieved by transforming part of the margins below the initial MFF ceilings into commitment appropriations for programmes (Joint Declaration, 2020a). Thus, these top-ups are already included in the MFF+NGEU expenditures mentioned above. Together with a further EUR 1bn top-up for one 'special instrument', namely the flexibility instrument, the aggregate volume of top-ups rises to EUR 16bn.

ANNEX 2: A GENERAL REGIME OF CONDITIONALITY FOR THE PROTECTION OF THE EU BUDGET

The '**Regulation of the European Parliament and the Council on a general regime of conditionality for the protection of the EU budget**', called 'Rule of Law Regulation' for short, had the following main content in the version of the Trilogue agreement on 5 November (Council, 2020d):

› It takes Article 322(1)(a) of the Treaty on the Functioning of the European Union (TFEU) as the legal basis and **defines the 'rule of law'** as referring to the Union value enshrined in Article 2 of the Treaty on European Union (TEU) and including the principles of legality, legal certainty, prohibition of arbitrariness of the executive powers, effective judicial protection by independent and impartial courts, separation of powers and equality before the law.

  Moreover, it explicitly states: *'The rule of law shall be **understood having regard to the other Union values and principles enshrined in Article 2 TEU**.'* In other words, respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities.

› Indicative of breaches of the principles of the rule of law may be:
  - (i) endangering the independence of the judiciary;
  - (ii) failing to prevent, correct and sanction arbitrary or unlawful decisions by public authorities (e.g. in public procurement or in financial control and auditing); withholding financial and human resources affecting their proper functioning; or failing to ensure the absence of conflicts of interests;
  - (iii) limiting the availability and effectiveness of legal remedies, including through restrictive procedural rules, lack of implementation of judgments or limiting the effective investigation and prosecution. **Breaches may concern**, inter alia, also the cooperation with the EU Anti-Fraud Office (OLAF) and the EU Public Prosecutor's Office (EPPO).

› **Where** it is established by a procedure laid down in this Regulation that **breaches** of the principles of the rule of law in a Member State **affect or seriously risk affecting** the **sound financial management of the EU budget** or the protection of the EU financial interests **in a sufficiently direct way**, appropriate measures shall be taken. Recital (4) [(7) in the final version published in the Official Journal] clarifies that this regulation also applies to EURI-NGEU expenditures and loans, so that 'EU budget' also relates to EURI-NGEU.

› **Procedure:** Where the **Commission** finds that it has reasonable grounds to consider that the conditions mentioned in the previous paragraph are fulfilled, it shall send a written notification to the MS concerned (as well as to the EP and Council). The MS shall provide the required information and may make observations, potentially also proposing the adoption of remedial measures. If, following an assessment, the Commission considers the above-mentioned conditions fulfilled and proposed remedial measures inadequate, it shall submit a proposal for an implementing act on the appropriate measures. The Council shall adopt a **decision by qualified majority**. However, Recital (17a) [(26) in the final version published in the Official Journal] states a so-called '**emergency brake**' of turning to the European Council: *'The procedure for adopting and lifting the measures should respect the principles of objectivity, non-discrimination and equal treatment of Member States and should be conducted on a non-partisan and evidence based approach. If, exceptionally, the Member State concerned considers that there are serious breaches of the above principles it may request the President of the European Council to refer the matter to the next European*

Council. In such exceptional circumstances, no decision concerning the measures should be taken until the European Council has discussed the matter. This process shall, as a rule, not take longer than three months after the Commission has submitted its proposal to the Council.'

At the same time, the regulation recalls that the Commission can make use of its institutional prerogatives *('…the Commission shall make use of its rights under Article 237 TFEU, where it deems it appropriate')* with a view to ensuring that the Council complies with its obligation to take a decision (European Commission, 2020p).

› Appropriate **measures** are e.g. the suspension or termination of commitments or payments, and such measures shall not affect the obligation to implement the affected programme, particularly by making payments to final recipients or beneficiaries.

In particular, the EP negotiators insisted on the following two points that are part of this Trilogue version, which therefore reverts partly to the initial Commission proposal:

› broadening the scope by explicit reference to all values and principles in Article 2 of the TEU, and

› broadening the condition for a procedure to include not only breaches that affect the sound financial management of the EU budget in a sufficiently direct manner but also breaches which seriously risk doing so (Zalan 2020a, b; EP, 2020k). Although the qualification 'seriously' requires a higher level of risk than the initial proposal, the Commission agreed to it (European Commission, 2020p).

Critique by Hungary and Poland:

Notwithstanding their success of having the 'emergency brake' introduced into the regulation, Hungary and Poland opposed these two points in particular, and moreover the requirement of a qualified majority instead of unanimity (except for the member state concerned) for the final Council decision in a procedure according to this Regulation. They argued that (i) the legal basis of this conditionality is unfounded; (ii) the term 'seriously risk affecting' is too vague for allowing sanctions; (iii) the measures are arbitrary; (iv) the procedure is without meaningful legal guarantees; and (v) disputes, often reflecting political conflicts within a member state, shall be decided at the EU level not by a political majority but by an independent court.

However, on 16 November the **EU ambassadors (Coreper) approved the draft regulation by the required qualified majority**, despite the objections raised by Hungary and Poland.

In response, **Hungary and Poland threatened to withhold their agreement to the 'Council decision on the system of own resources', which required unanimity**, as they could not formally stop the legislative process for the rule-of-law regulation itself (Fleming et al., 2020a; Shotter and Fleming, 2020a; Zalan, 2020c, d, e).

During the plenary session of the European Parliament on 23-26 November the leaders of most political groups, including the largest ones, called on member states to end the budget deadlock without giving in on the rule of law, and the **Commission president called on Hungary and Poland** to stop using their veto and **turn to the European Court of Justice** instead if they contested that the rule-of-law conditionality was in line with the Treaties (EP, 2020l).

After intense consultations of member states with the President of the European Council and the German Council presidency, on 11 December the European Council came up with conclusions (EUCO, 2020b), which on the one hand repeat the essential content of the regulation but on the other hand provide additional elements concerning the application of the regulation as follows (note that the text in square brackets is by the author):

› *With a view to finding a mutually satisfactory solution and addressing the concerns expressed with regard to the draft Regulation…, more particularly with regard to the way in which this Regulation will be applied, the European Council underlines that the* ***Regulation is to be applied in full respect of Article 4(2) TEU, notably the national identities of Member States inherent in their fundamental political and constitutional structures, of the principle of conferral*** *[meaning that the EU can only act within the conferred competences defined by the Member States in the treaties], … , the* ***European Council agrees*** *on the following:*
  - *b) The application … will be objective, fair, impartial and fact-based, ensuring due process, non-discrimination and equal treatment of member states. [Again, this repeats the content of the regulation itself.]*
  - *c) With a view to ensuring that these principles will be respected, the* ***Commission intends to develop and adopt guidelines on the way it will apply the Regulation****, including a methodology for carrying out its assessment. … Should an action for annulment be introduced with regard to the Regulation, the guidelines will be finalised after the judgment of the Court of Justice….* ***Until such guidelines are finalised, the Commission will not propose measures*** *under the Regulation.*
  - *d) The application of the mechanism will respect its* ***subsidiary character****. Measures … will be considered only where other procedures set out in Union law, including under the Common Provisions Regulation, the Financial Regulation or infringement procedures under the Treaty, would not allow to protect the Union budget more effectively.*
  - *f) The triggering factors set out in the Regulation are to be read and applied as a closed list of homogenous elements and not be open to factors or events of a different nature.* ***The Regulation does not relate to generalised deficiencies.***
  - *k) The Regulation has been negotiated as an integral part of the new budgetary cycle, and therefore, it will apply as from 1 January 2021 and the* ***measures will apply only in relation to budgetary commitments starting under the new Multiannual Financial Framework, including Next Generation EU****.*

› *The European Council welcomes the* ***Commission's intention to adopt a Declaration, to be entered in the minutes of the Council*** *when deciding on the Regulation,* ***expressing its commitment to apply the elements referred to in paragraph 2 above*** *which fall within the remit of its responsibilities in the application of the Regulation.*

› *The European Council agrees that the elements in paragraphs 1 to 3 above constitute an appropriate and lasting response to the concerns expressed, without prejudice to the rights of Member States under Article 263 TFEU. … Member States will do their utmost to approve the Own Resources Decision in accordance with their respective constitutional requirements with a view to its prompt entry into force.*

In line with these EUCO conclusions, Hungary and Poland agreed to give their consent to the Council decision on own resources, and on 14 December the **Council, acting by a qualified majority, formally adopted its position on the draft 'rule-of-law' regulation**, attaching a separate 'Statement on the

Council's reasons', and the **Council adopted the own resources decision by the required unanimity**. Importantly, there was no substantial change to the regulation itself, as can be seen when comparing the version of the Trilogue agreement of 5 November and the version formally adopted by the Council. Indeed, in terms of content, only the 'reporting clause' changed slightly into: *'The Commission shall report by 12 January 2024 to the European Parliament and the Council on the application of this Regulation'*, while the wording before was *' four years after entering into force'*.

Therefore, on that same day, the **Commission** concluded its **'Communication to the EP on the Council position'** as follows: *'The Commission supports the results of the inter-institutional negotiations and can therefore accept the Council's position at first reading.'* In addition, the Commission made the following unilateral declaration shown in the Communication's appendix: *'The Commission agrees to consider accompanying the report to the European Parliament and the Council on the application of this Regulation by appropriate proposals where necessary.'* Moreover, that appendix made public a joint declaration of the Commission, Council and EP that they agreed to consider including the content of the 'rule-of-law' regulation into the overall 'Financial Regulation' (Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council) upon its next revision.

On 16 December, in its **legislative resolution**, the **European Parliament** noted that the act was adopted in accordance with the Council position (EP, 2020e). Thus, the final regulation was **published on 22 December**, entering into force on the twentieth day following that day and applying from 1 January 2021 (EU, 2020e).

At the same time the European Parliament prepared a **resolution, adopted on 17 December, which provided a response, or rather a rebuke, to the European Council** and the Commission (EP, 2020f), summarised as follows:

› The co-legislators agreed that the Regulation on a general regime of conditionality for the protection of the EU budget will apply from 1 January 2021 to all commitments and payments.

› The European Parliament therefore argued that **the content of the European Council conclusions on the Regulation on a general regime of conditionality for the protection of the EU budget was superfluous** as the applicability, purpose and scope of the rule of law Regulation were clearly defined in the legal text of the said Regulation.

› Members of the European Parliament recalled that the European Council does not exercise legislative functions and that therefore no political declaration by the European Council can be considered as an **interpretation of legislation, which is a matter for the Court of Justice of the European Union** (CJEU).

› Therefore, the **applicability of this Regulation should not be made conditional on the adoption of guidelines**, as the agreed text is sufficiently clear and no implementing instruments are foreseen.

› The European Parliament recalled that it has several legal and political means at its disposal to make sure that the law is enforced by everyone and by EU institutions in the first place. It stressed that the **conclusions of the European Council cannot be made binding on the Commission in applying legal acts.**

› Members of the European Parliament therefore **expect the Commission, as guardian of the Treaties, to guarantee the full application of the Regulation from the date agreed** by the co-legislators.

ANNEX TABLES

Table 1a / 7-year sums, EUR billions: MFF 2014-20 compared to MFF 2021-27 + EURI-NGEU

according to Commission proposal 2020 and Council's final decision (after EP consent)

	2014-20	Commission		Council (& EP)	
EUR billions	(EU-27)	2020 May		2020 December	
in 2018 prices	MFF	MFF	NGEU	MFF	NGEU
H.1: Single Market, Innovation and Digital	**116.3**	**140.7**	**69.8**	**132.8**	**10.6**
1. Research and Innovation	70.6	87.7	13.5	83.2	5.0
2. European Strategic Investments	27.8	30.8	56.3	29.4	5.6
3. Single Market (anti-fraud, customs coop., etc.)	8.1	5.8		5.9	
4. Space	12.3	13.4		13.4	
H.2: Cohesion and Values (Council: incl. 14. in 6. and H.2)	**388.5**	**374.5**	**610.0**	**377.8**	**721.9**
5. Regional Development and Cohesion	273.6	237.7	50.0	243.1	47.5
6. Recovery & Resilience (MFF: incl. interest on NGEU)	0.1	18.2	560.0	18.6	674.4
o/w: loans of the Recovery & Resilience Facility			*250.0*		*360.0*
7. Social Cohesion & Values (2014-20: incl.14.-Health)	116.3	116.4		115.8	
H.3: Natural Resources and Environment	**399.6**	**357.0**	**45.0**	**356.4**	**17.5**
8. Agriculture and Maritime Policy	394.5	340.2	15.0	342.9	7.5
o/w: Market related expenditure and direct payments	*291.5*	*258.3*		*258.6*	
9. Environment and Climate Action	4.5	15.3	30.0	12.8	10.0
H.4: Migration and Border Management	**8.9**	**31.1**	**0.0**	**22.7**	**0.0**
10. Migration (incl.Asylum-Migration-Integration Fund)	7.5	12.1		9.8	
11. Border Management (incl. Frontex)	5.6	17.7		12.7	
H.5: Security & Defence	**3.1**	**19.4**	**9.7**	**13.2**	**0.0**
12. Security (Internal; Nuclear Safety)(14-20: incl.14.-CP)	7.8	4.6		4.1	
13. Defence	0.6	9.5		8.5	
14. Resilience (Health+Civil Prot.)(14-20: H.in 7.,CP in 12.)	(1.5 + 0.9)	4.3	9.7	(4.8 in 6.)	(1.9 in 6.)
H.6: Neighbourhood and the World	**96.1**	**102.7**	**15.5**	**98.4**	**0.0**
15. External Action (incl. Development, Humanit. Aid)	86.9	89.2	15.5	85.2	0.0
16. Pre-accession assistance	13.2	12.9		12.6	
H.7: EU Public Administration (incl.Schools, Pensions)	**70.8**	**74.6**	**0.0**	**73.1**	**0.0**
Total commitment appropriations	**1083.3**	**1100.0**	**750.0**	**1074.3**	**750.0**
Total payment appropriations		**1103.5**	**750.0**	**1061.1**	**750.0**
Special Instruments (Note: outside the MFF ceilings!)					
Emergency aid reserve (EAR)	2.3	21.0			
EU Solidarity Fund (EUSF)	4.0	7.0			
Sub-total EAR+EUSF = SEAR (Solid. & Emergency Aid R.)	6.4	28.0		8.4	
Europ. Globablisation Adjustment Fund (EGF)	1.2	2.7		1.3	
Flexibility Instrument	4.4	7.0		6.4	
Brexit adjustment reserve		0.0		5.0	
Total special instruments	**11.9**	**37.7**		**21.1**	

Plus: In Trilogue, EP achieved top-ups raising MFF ceilings from 2022 (Art.5 MFF) by € 11 bn
(Research 3.0, EU Strategic Investments 1.0, Social Cohesion 3.1, Border Man. 1.0, Health 2.9).
Note: MFF 2014-2020 and MFF 2021-2027: excl. UK and incl. the European Development Fund;
Each heading=sub-headings+(neg./pos.) margin. MFF 2014-20: incl. amending budgets (excl."bridge" 2020).
Source: Council(2020e,g).Eu.Com.(2018a,2020d,g).EP-CoB(2020).EP-CoB Secr.(2020a,b).M.Sapala (2020a,b).

Table 1b / Annual averages, EUR billions: MFF 2014-20 compared to MFF 2021-27 + EURI-NGEU

according to Commission proposal 2020 and Council's final decision (after EP consent)

	2014-20	Commission		Council (& EP)	
EUR billions	(EU-27)	2020 May		2020 December	
in 2018 prices	MFF	MFF	NGEU	MFF	NGEU
(For comparability, NGEU averaged over 7 instead of 6 years.)					
H.1: Single Market, Innovation and Digital	**16.6**	**20.1**	**10.0**	**19.0**	**1.5**
1. Research and Innovation	10.1	12.5	1.9	11.9	0.7
2. European Strategic Investments	4.0	4.4	8.0	4.2	0.8
3. Single Market (anti-fraud, customs coop., etc.)	1.2	0.8		0.8	
4. Space	1.8	1.9		1.9	
H.2: Cohesion and Values (Council: incl. 14. in 6. and H.2)	**55.5**	**53.5**	**87.1**	**54.0**	**103.1**
5. Regional Development and Cohesion	39.1	34.0	7.1	34.7	6.8
6. Recovery & Resilience (MFF: incl. interest on NGEU)	0.0	2.6	80.0	2.7	96.3
o/w: loans of the Recovery & Resilience Facility			*35.7*		*51.4*
7. Social Cohesion & Values (2014-20: incl.14.-Health)	16.6	16.6		16.5	0.0
H.3: Natural Resources and Environment	**57.1**	**51.0**	**6.4**	**50.9**	**2.5**
8. Agriculture and Maritime Policy	56.4	48.6	2.1	49.0	1.1
o/w: Market related expenditure and direct payments	*41.6*	*36.9*		*36.9*	
9. Environment and Climate Action	0.6	2.2	4.3	1.8	1.4
H.4: Migration and Border Management	**1.3**	**4.4**	**0.0**	**3.2**	**0.0**
10. Migration (incl.Asylum-Migration-Integration Fund)	1.1	1.7		1.4	
11. Border Management (incl. Frontex)	0.8	2.5		1.8	
H.5: Security & Defence	**0.4**	**2.8**	**1.4**	**1.9**	**0.0**
12. Security (Internal; Nuclear Safety)(14-20: incl.14.-CP)	1.1	0.7		0.6	
13. Defence	0.1	1.4		1.2	
14. Resilience (Health+Civil Prot.)(14-20: H.in 7.,CP in 12.)	(0.2 + 0.1)	0.6	1.4	(0.7 in 6.)	(0.3 in 6.)
H.6: Neighbourhood and the World	**13.7**	**14.7**	**2.2**	**14.1**	**0.0**
15. External Action (incl. Development, Humanit. Aid)	12.4	12.7	2.2	12.2	0.0
16. Pre-accession assistance	1.9	1.8		1.8	
H.7: EU Public Administration (incl.Schools, Pensions)	**10.1**	**10.7**	**0.0**	**10.4**	**0.0**
Total commitment appropriations	**154.8**	**157.1**	**107.1**	**153.5**	**107.1**
Total payment appropriations		**157.6**	**107.1**	**151.6**	**107.1**
Special Instruments (Note: outside the MFF ceilings!)					
Emergency aid reserve (EAR)	0.3	3.0			
EU Solidarity Fund (EUSF)	0.6	1.0			
Sub-total EAR+EUSF = SEAR (Solid. & Emergency Aid R.)	0.9	4.0		1.2	
Europ. Globablisation Adjustment Fund (EGF)	0.2	0.4		0.2	
Flexibility Instrument	0.6	1.0		0.9	
Brexit adjustment reserve	0.0	0.0		0.7	
Total special instruments	**1.7**	**5.4**		**3.0**	

Plus: In Trilogue, EP achieved top-ups raising MFF ceilings from 2022 (Art.5 MFF) € 1.5 bn p.a.
(Research 0.4, EU Strategic Investment 0.1, Social Cohesion 0.4, Border Man. 0.1, Health 0.4).
Note: MFF 2014-2020 and MFF 2021-2027: excl. UK and incl. the European Development Fund;
Each heading=sub-headings+(neg./pos.) margin. MFF 2014-20: incl. amending budgets (excl."bridge" 2020).
Source: Council(2020e,g).Eu.Com.(2018a,2020d,g).EP-CoB(2020).EP-CoB Secr.(2020a,b).M.Sapala (2020a,b).

Table 1c / 7-year sums, % of GNI: MFF 2014-20 compared to MFF 2021-27 + EURI-NGEU

According to Commission proposal 2020 and Council's final decision (after EP consent)

% of GNI 2014-20 and 2021-27, respectively	**2014-20**	**Commission**		**Council (& EP)**	
	(EU-27)	2020 May		2020 December	
in 2018 prices	MFF	MFF	NGEU	MFF	NGEU
(Note: NGEU payments are scheduled over 6 instead of 7 years.)					
H.1: Single Market, Innovation and Digital	**0.127**	**0.144**	**0.072**	**0.136**	**0.011**
1. Research and Innovation	0.077	0.090	0.014	0.085	0.005
2. European Strategic Investments	0.031	0.032	0.058	0.030	0.006
3. Single Market (anti-fraud, customs coop., etc.)	0.009	0.006		0.006	
4. Space	0.014	0.014		0.014	
H.2: Cohesion and Values (Council: incl. 14. in 6. and H.2)	**0.426**	**0.384**	**0.626**	**0.387**	**0.740**
5. Regional Development and Cohesion	0.300	0.244	0.051	0.249	0.049
6. Recovery & Resilience (MFF: incl. interest on NGEU)	0.000	0.019	0.574	0.019	0.692
o/w: loans of the Recovery & Resilience Facility			*0.256*		*0.369*
7. Social Cohesion & Values (2014-20: incl.14.-Health)	0.127	0.119		0.119	0.000
H.3: Natural Resources and Environment	**0.438**	**0.366**	**0.046**	**0.365**	**0.018**
8. Agriculture and Maritime Policy	0.432	0.349	0.015	0.352	0.008
o/w: Market related expenditure and direct payments	*0.319*	*0.265*		*0.265*	
9. Environment and Climate Action	0.005	0.016	0.031	0.013	0.010
H.4: Migration and Border Management	**0.010**	**0.032**	**0.000**	**0.023**	**0.000**
10. Migration (incl.Asylum-Migration-Integration Fund)	0.008	0.012		0.010	
11. Border Management (incl. Frontex)	0.006	0.018		0.013	
H.5: Security & Defence	**0.003**	**0.015**	**0.000**	**0.014**	**0.000**
12. Security (Internal; Nuclear Safety)(14-20: incl.14.-CP)	0.009	0.005		0.004	
13. Defence	0.001	0.010		0.009	
14. Resilience (Health+Civil Prot.)(14-20: H.in 7.,CP in 12.)	(0.002+0.001)	0.004	0.010	(0.005 in 6.)	(0.002 in 6.)
H.6: Neighbourhood and the World	**0.105**	**0.105**	**0.016**	**0.101**	**0.000**
15. External Action (incl. Development, Humanit. Aid)	0.095	0.091	0.016	0.087	0.000
16. Pre-accession assistance	0.014	0.013		0.013	
H.7: EU Public Administration (incl.Schools, Pensions)	**0.078**	**0.076**	**0.000**	**0.075**	**0.000**
Total commitment appropriations	**1.19**	**1.12**	**0.76**	**1.10**	**0.77**
Total payment appropriations		**1.13**	**0.77**	**1.09**	**0.77**
Special Instruments (Note: outside the MFF ceilings!)					
Emergency aid reserve (EAR)	0.003	0.022			
EU Solidarity Fund (EUSF)	0.004	0.007			
Sub-total EAR+EUSF = SEAR (Solid. & Emergency Aid R.)	0.007	0.029		0.009	
Europ. Globablisation Adjustment Fund (EGF)	0.001	0.003		0.001	
Flexibility Instrument	0.005	0.007		0.007	
Brexit adjustment reserve	0.000	0.000		0.005	
Total special instruments	**0.01**	**0.04**		**0.02**	

Plus: In Trilogue, EP achieved top-ups raising MFF ceilings from 2022 (Art.5 MFF) 0.01% GNI
(Research 0.003%, EU Strat.Investm. 0.001%, Social Cohesion 0.003%, Border Man. 0.001%, Health 0.003%).
Note: MFF 2014-2020 and MFF 2021-2027: excl. UK and incl. the European Development Fund;
Each heading=sub-headings+(neg./pos.) margin. MFF 2014-20: incl. amending budgets (excl."bridge" 2020).
Source: Council(2020e,g).Eu.Com.(2018a,20a,d,g).EP-CoB(2020).EP-CoB Secr.(2020a,b).M.Sapala (2020a,b).

Table 1d / % shares in total: MFF 2014-20 compared to MFF 2021-27 + EURI-NGEU

according to Commission proposal 2020 and Council's final decision (after EP consent)

% shares in total commitments in 2018 prices	**2014-20** (EU-27) MFF	**Commission** 2020 May MFF	NGEU	**Council (& EP)** 2020 December MFF	NGEU
H.1: Single Market, Innovation and Digital	**10.7**	**12.8**	**9.3**	**12.4**	**1.4**
1. Research and Innovation	6.5	8.0	1.8	7.7	0.7
2. European Strategic Investments	2.6	2.8	7.5	2.7	0.7
3. Single Market (anti-fraud, customs coop., etc.)	0.8	0.5		0.5	
4. Space	1.1	1.2		1.3	
H.2: Cohesion and Values (Council: incl. 14. in 6. and H.2)	**35.9**	**34.0**	**81.3**	**35.2**	**96.3**
5. Regional Development and Cohesion	25.3	21.6	6.7	22.6	6.3
6. Recovery & Resilience (MFF: incl. interest on NGEU)	0.01	1.7	74.7	1.7	89.9
o/w: loans of the Recovery & Resilience Facility			*33.3*		*48.0*
7. Social Cohesion & Values (2014-20: incl.14.-Health)	10.7	10.6		10.8	0.0
H.3: Natural Resources and Environment	**36.9**	**32.5**	**6.0**	**33.2**	**2.3**
8. Agriculture and Maritime Policy	36.4	30.9	2.0	31.9	1.0
o/w: Market related expenditure and direct payments	*26.9*	*23.5*		*24.1*	
9. Environment and Climate Action	0.4	1.4	4.0	1.2	1.3
H.4: Migration and Border Management	**0.8**	**2.8**	**0.0**	**2.1**	**0.0**
10. Migration (incl.Asylum-Migration-Integration Fund)	0.7	1.1		0.9	
11. Border Management (incl. Frontex)	0.5	1.6		1.2	
H.5: Security & Defence	**0.3**	**1.8**	**1.3**	**1.2**	**0.0**
12. Security (Internal; Nuclear Safety)(14-20: incl.14.-CP)	0.7	0.4		0.4	
13. Defence	0.1	0.9		0.8	
14. Resilience (Health+Civil Prot.)(14-20: H.in 7.,CP in 12.)	(0.14+0.08)	0.4	1.3	(0.4 in 6.)	(0.25 in 6.)
H.6: Neighbourhood and the World	**8.9**	**9.3**	**2.1**	**9.2**	**0.0**
15. External Action (incl. Development, Humanit. Aid)	8.0	8.1	2.1	7.9	0.0
16. Pre-accession assistance	1.2	1.2		1.2	
H.7: EU Public Administration (incl.Schools, Pensions)	**6.5**	**6.8**	**0.0**	**6.8**	**0.0**
Total commitment appropriations	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Total payment appropriations		**100.3**	**100.0**	**98.8**	**100.0**
Special Instruments (Note: outside the MFF ceilings!)	in % of MFF's total commitment:				
Emergency aid reserve (EAR)	0.2	1.9			
EU Solidarity Fund (EUSF)	0.4	0.6			
Sub-total EAR+EUSF = SEAR (Solid. & Emergency Aid R.)	0.6	2.5		0.8	
Europ. Globablisation Adjustment Fund (EGF)	0.1	0.2		0.1	
Flexibility Instrument	0.4	0.6		0.6	
Brexit adjustment reserve	0.0	0.0		0.5	
Total special instruments	**1.1**	**3.4**		**2.0**	

Plus: In Trilogue, EP achieved top-ups raising MFF ceilings from 2022 (Art.5 MFF) by 1%
(shares in %: Research 27, EU Strat.Investm. 9, Social Cohesion 28, Border Man. 9, Health 26).
Note: MFF 2014-2020 and MFF 2021-2027: excl. UK and incl. the European Development Fund;
Each heading=sub-headings+(neg./pos.) margin. MFF 2014-20: incl. amending budgets (excl."bridge" 2020).
Source: Council(2020e,g).Eu.Com.(2018a,2020d,g).EP-CoB(2020).EP-CoB Secr.(2020a,b).M.Sapala (2020a,b).

Table 2 / (A) Changes to EU Budget 2020, and (B) 7-year sums of EURI-NGEU, EUR billion

By program allocation: Commission proposal 2020 and Council's final decision in December equal to the European Council agreement in July

EUR billion, in 2018 prices	**Commission 2020 May**	**Council 2020 Dec.**
A) Changes to the EU Budget 2020 within EU MFF 2014-2020		
Total commitment appropriations (H.1 to H.7) ("bridge solution")	**11.5**	**0.0**
B) EURI-NGEU: commitments 2021-2023, payments 2021-2026		
H.1: Single Market, Innovation and Digital		
1. Research and Innovation		
Horizon Europe (health- & climate-related research and innovation)	13.5	5.0
2. European Strategic Investments		
InvestEU Fund (guarantees for priv. investm. in EU strat. value chains)	30.3	5.6
Solvency Support Instr. (guarantees for priv. inv. in viable companies)	26.0	0.0
3. Single Market (anti-fraud, customs coop., etc.)		
4. Space		
H.2: Cohesion and Values		
5. Regional Development and Cohesion		
REACT EU (short-term crisis repair: health, labor, poor, SME liquidity)	50.0	47.5
6. Recovery & Resilience (Council: incl. 14. in 6. under H.2)		
Recovery and Resilience Facility (incl. Technical Support)	560.0	672.5
o/w: grants (for criteria-tested national programs within Europ.Sem.)	*310.0*	*312.5*
o/w: loans (for criteria-tested national programs within Europ.Sem.)	*250.0*	*360.0*
7. Social Cohesion & Values		
H.3: Natural Resources and Environment		
8. Agriculture and Maritime Policy		
EAFRD (European Agricultural Fund for Rural Development)	15.0	7.5
9. Environment and Climate Action		
Just Transition Fund (social aid for exit from climate-damaging prod.)	30.0	10.0
H.4: Migration and Border Management		
10. Migration (mainly Asylum-Migration-Integration Fund AMIF)		
11. Border Management (Border Man. Fund; Agencies, e.g. Frontex)		
H.5: Security & Defence		
12. Security (Internal Security, Nuclear Safety)		
13. Defence		
14. Resilience & Crisis Response (Council: ad 6. under H.2)		
RescEU (reinforcing the Union's Civil Protection Mechanism)	2.0	(1.9 in 6.)
EU4Health Programme (investment in health security and resilience)	7.7	0.0
H.6: Neighbourhood and the World		
15. External Action		
NDICI-Neighbourh., Developm. & Internat. Cooperation Instrument	10.5	0.0
(guarantees in coop.with IFIs, UN, WHO for Africa and Neighborhood)		
Humanitarian Aid (for needs in most vulnerable parts of the world)	5.0	0.0
16. Pre-accession assistance		
H.7: EU Public Administration (incl.Schools, Pensions)		
Total commitment appropriations (H.1 to H.7)	**750.0**	**750.0**

Note: Grants if not stated otherwise. No formal consent by the European Parliament was required, and political agreement with the EP was achieved in a package with the MFF.
Source: See Table 1a, plus European Commission (2020f), EU (2020a, b).

Table 3 / Comparing the estimated impact of the Commission proposal and the Council's decision on the max. allocation to Member States of EURI-NGEU funds, % of GNI

Annual average in 2021-2026, in 2018 prices

	COM 27 May 2020		**EUCO July 2020 and Council December 2020**	
Ordered by population size	Grants & Guarantees % GNI avg 2021-27	Loans	Grants & Guarantees % GNI avg 2021-27	Loans
EU27	0.6	0.3	0.5	0.4
Euro area 19	0.5	0.3	0.4	0.4
Germany	0.2	0.0	0.1	0.0
France	0.4	0.0	0.3	0.0
Italy	1.0	0.6	0.8	1.2
Spain	1.2	0.9	1.1	1.2
Netherlands	0.2	0.0	0.1	0.0
Belgium	0.3	0.2	0.2	1.1
Greece	2.3	1.7	1.8	1.1
Portugal	1.4	1.1	1.3	1.1
Austria	0.2	0.0	0.2	0.0
Finland	0.3	0.0	0.2	0.0
Slovakia	1.5	1.2	1.3	1.1
Ireland	0.2	0.0	0.1	0.0
Lithuania	1.4	1.0	1.0	1.1
Slovenia	1.0	0.6	0.7	1.1
Latvia	1.6	1.2	1.2	1.1
Estonia	1.2	0.0	0.9	0.0
Cyprus	1.2	0.7	0.9	1.1
Luxembourg	0.1	0.0	0.1	0.0
Malta	0.5	0.4	0.5	1.1
Poland	1.2	0.9	0.9	1.1
Romania	1.6	1.1	1.3	1.1
Czechia	0.7	0.4	0.7	1.1
Sweden	0.2	0.0	0.1	0.0
Hungary	1.0	0.8	0.9	1.1
Bulgaria	2.6	1.8	2.0	1.1
Denmark	0.2	0.0	0.1	0.0
Croatia	2.4	2.0	2.1	1.1
Group H	0.3	0.1	0.2	0.1
Group S	1.2	0.7	1.0	1.2
Group E	1.3	0.9	1.0	1.1

Grants & Guarantees: stands for grants and provisions for guarantees (financing of loss tranches).
Group H: MS of above-average GDP per capita.
Group S and Group E: MS of below-average GDP per capita with high (S) / low (E) public debt ratio.
Note: For the Commission proposal, the estimate of max. loan allocation is derived from the Commission's estimated allocation key of grants by excluding Member States that did not apply for loans under the EU's SURE instrument (that is, sovereigns that may borrow on its own at equal or lower cost on capital markets). For the Council decision, the max. loan allocation excludes these Member States and, in addition, it considers the cap on the loan volume for each MS equal to 6.8% of its GNI 2019 (based on Council 2020b).
The estimate for the allocation of loans is derived from estimated allocation of grants by (a) excluding Member States whose sovereign is likely to borrow on the capitalmarket on its own at lower cost, and (b) by considering the cap on the loan volume for each MS equal to 6.8% of its GNI under Council position.
Source: Council (2020b), Darvas (2020a, b, c), Europ.Com.(2020a, d, e, g, q). EU (2020b). Own calculation.

Table 4 / MFF 2021-2027: Annual rebates on GNI-based contributions and net receipts from the EU Budget, % of GNI

Ordered by population size	Rebates Gross % GNI avg 2021-27	Net	Net Receipts (after rebate) (first guesstimates) % GNI avg 2021-27
EU27	0.05	0.00	0.0
Germany	**0.10**	**0.05**	**-0.4**
France		-0.05	**-0.4**
Italy		-0.06	**-0.4**
Spain		-0.06	0.0
Netherlands	**0.24**	**0.18**	**-0.3**
Belgium		-0.05	0.9
Greece		-0.06	1.8
Portugal		-0.05	1.5
Austria	**0.14**	**0.09**	**-0.3**
Finland		-0.05	**-0.3**
Slovakia		-0.05	1.8
Ireland		-0.05	**-0.1**
Lithuania		-0.05	3.5
Slovenia		-0.05	1.0
Latvia		-0.05	3.1
Estonia		-0.05	1.8
Cyprus		-0.05	0.3
Luxembourg		-0.06	4.0
Malta		-0.05	0.3
Poland		-0.05	2.3
Romania		-0.06	1.4
Czechia		-0.06	1.1
Sweden	**0.21**	**0.16**	**-0.3**
Hungary		-0.05	3.6
Bulgaria		-0.06	2.7
Denmark	**0.11**	**0.06**	**-0.4**
Croatia		-0.05	1.2
Group H		0.03	**-0.3**
Group S		-0.06	0.0
Group E		-0.05	2.0

Group H: MS of above-average GDP per capita.
Group E: MS of below-average GDP per capita with low public debt ratio.
Group S: MS of below-average GDP per capita with high public debt ratio.
Note: The net rebate results as the gross rebate minus the aliquot GNI-based contribution by the benefited MS (in line with all other MS) to financing the sum of all gross rebates.
The net receipt is equal to the difference between receipts from the EU budget and the sum of national VAT-based and after-rebate GNI-based contributions. For Belgium and Luxembourg, the sizeable contributions by hosting the EU institutions are not factored in.
Source: European Commission (2020a, b, q). European Council (2020a). Own calculations.

Table 5 / Climate-related expenditures: Targets and plans to achieve them, EUR billion

EUR billion, in 2018 prices

	COM	Council (& EP)
Combined MFF+NGEU expenditures	**1,600.0**	**1,464.3**
MFF 2021-27	1,100.0	1,074.3
NGEU (excluding loans)	500.0	390.0
Climate expenditures target		
25% of combined MFF+NGEU expenditures	**400.0**	
30% of combined MFF+NGEU expenditures		**439.3**
Climate expenditures envisaged under sectoral legislation		
Research and Innovation (H.1.1.)	**101.2**	**88.2**
thereof: Horizon Europe	94.4	81.4
o/w: 35% for climate action	33.0	28.5
thereof: ITER (Internat. Thermonuclear Energy Res.)	5.0	5.0
o/w: 100% as climate action	5.0	5.0
EU Strategic Investments (H.1.2.)	**87.1**	**35.0**
thereof: InvestEU Fund	31.6	8.4
o/w: 30% for climate action	9.5	2.5
thereof: Connecting Europe Facility (CEF)	19.9	18.4
o/w: 60% for climate action	11.9	11.0
Regional Development and Cohesion (H.2.5.)	**287.7**	**290.1**
thereof: Europ. Regional Development Fund (ERDF)	196.9	200.4
o/w: 30% for climate action	59.1	60.1
thereof: Cohesion Fund (CF)	40.7	42.6
o/w: 37% for climate action	15.1	15.8
thereof: ReactEU	50.0	47.5
o/w: 25% for climate action	12.5	11.9
Recovery & Resilience (H.2.6.)	**328.2**	**333.0**
thereof: Recovery & Resilience Facility (excl. loans)	310.0	312.5
o/w: 37% for climate action	114.7	115.6
Agriculture and Maritime Policy (H.3.8.)		
a) Agriculture budget (2021-22)	115.8	109.3
o/w: 26% for climate action	30.1	28.4
b) Agriculture budget (2023-27)	232.5	***234.6***
o/w: 40% for climate action	93.0	***93.9***
c) EMFF European Maritime and Fisheries Fund	5.9	5.4
o/w: 30% for climate action	1.8	1.6
Environment and Climate Action (H.3.9)	**45.3**	**22.8**
thereof: Environment & Climate Action Program (LIFE)	4.8	4.8
o/w: 61% for climate action	2.9	2.9
thereof: Just Transition Fund	40.0	17.5
o/w: 100% as climate action	40.0	17.5
External action (H.6…)	**104.7**	**85.2**
thereof: NDICI Neighborhood, Developm., Intern.Coop.	86.0	70.8
o/w: 25% for climate action	21.5	17.7
thereof: OCT Overseas Countries and Territories	0.4	0.4
o/w: 25% for climate action	0.1	0.1
Pre-accession assistance (H.6…)	**12.9**	**12.6**
o/w: 16% for climate action	2.1	2.0
Total	**452.2**	**414.6**
Difference to be covered		**24.7**

Source: See Table 1a, plus European Commission (2018e, 2020n). EP (2020i, k). Own calculation.

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