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10 December 2020

Budget deal: main changes on the MFF

EESC specific requests succesfully taken on board

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An increased MFF

The political agreement of 10 December confirmed by today's Coreper, substantially increases the size of the MFF in comparison to what was agreed by the July European Council. The political agreement of December means that there are now EUR 16 additional billion that will reinforce, for EUR 15 billion, some of the most crucial policies for a strong European common future, such as health, research and Erasmus+. There will also be a further EUR 1 billion to increase

An increased MFF

The EESC has called from the very early stage for a stronger and robust MFF, reaching 1.3% of GNI, since Europeans need more and better Europe. Notably, the opinion **"MFF after 2020", Rapporteur Mr DOZ ORRIT (ECO/460)**, expressed disagreement with the harsh cuts of the Council in relation to the European Regional Development Fund, the Cohesion Fund but also in relation to the European Social Fund, especially given the proclamation of the European Pillar of Social Rights.

The EESC has repeatedly called for an adequate EU spending for programmes with high European value added.

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Ten programmes linked to common policies crucial for the European common future, received top-ups compared to the European Council agreement of July 2020

(Horizon Europe; InvestEU Fund; EU4Health; Erasmus+; Creative Europe; Rights and Values; Integrated Border Management Fund; European Border and Coast Guard; Neighbourhood, Development and International Cooperation Instrument; Humanitarian Aid).

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Ten programmes linked to common policies crucial for the European common future, received top-ups compared to the European Council agreement of July 2020

The EESC called for an increase for all of these policies. In particular, through its opinion on the **revised Commission proposal for the MFF including the Recovery fund of May 2020** – ECO/523 – (**Recovery plan for Europe and the Multiannual Financial Framework 2021-2027** - rapporteurs Mr DANDEA, Mr DI FAZIO, and Mr Petr ZAHRADNÍK) it explicitly called for a substantial top up to important European programmes (whose budget was cut in the agreement of European Leaders on 21 July 2020), in particular research, health, and humanitarian aid.

The EESC has been vocal in calling for the creation of a EU4 Health, as highlighted, for instance, by the opinion ECO/524 on **React-EU** (rapporteur Mr Pezzini), which welcomes the strengthening of the EU Health Programme and the fact that it will also be possible to use this financing to make this sensitive and important sector more resilient.

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In the same vein, in its opinion ECO/528 on the **Renewed InvestEU program And Solvency Support Internet** (rapporteur Mr Ronny LANNOO), the EESC has welcomed the strengthening of the InvestEU programme and the complementary Solvency Support Instrument (SSI) and underlined that the COVID-19 crisis and the crisis management should not steer the EU away from its medium and long-term objectives, as outlined in the European Green Deal, the 2020 Sustainable Growth Strategy.

Equally, the EESC's opinion on the **future of EU air transport in and after the Corona crisis** (TEN/709) (Rapporteur Thomas KROPP), welcomes the fact that the EU Recovery Plan provides for investment in future-oriented sectors and is pleased to note the various funding initiatives for such alternative fuels (power-to-x, synfuel) under the EU's current research funding instrument (Horizon 2020) and encourages the Commission to step up these efforts for the next Framework Programme for Research and Innovation (among other funding instruments: Horizon Europe).

All these points are reflected in the political agreement of 10 December that secures an increase for flagship programmes that are key for the EU's commitments and priorities, notably the Green Deal and the Digital Agenda.

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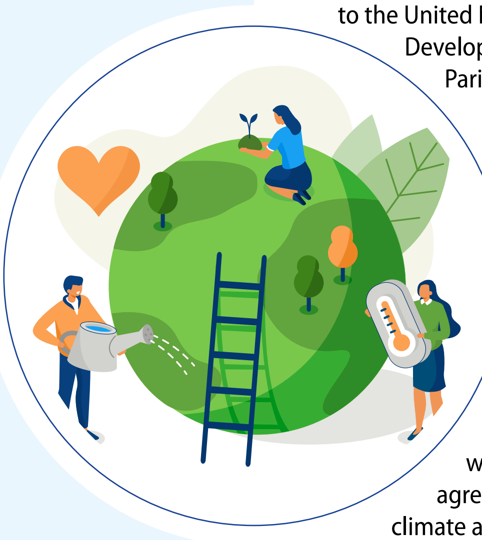
A budget for climate change and biodiversity

The political agreement of 10 December will deliver on climate and biodiversity. There is now a clear commitment on the fact that 30% of the EU budget will be spent **to fight climate change**, the highest share ever of the European budget. The package also pays a specific attention to **biodiversity protection and gender equality**.

A budget for climate change and biodiversity

The EESC, over the years, has been at the forefront of the circular economy agenda as well as the Sustainable Development Agenda and has therefore welcomed the fact that the von der Leyen's Commission has adopted in December 2019, as its first political decision, the European Green Deal. Building on its established commitment in favour of climate change, biodiversity and sustainable development, the EESC has adopted a wide range of comprehensive opinions on this matter. It has, in particular, called for an average of 40% of the EU's global budget (MFF 2021-2027) to be allocated to match the challenge of the fight against climate change, as pointed out in its opinion on **European Finance-Climate Pact** NAT/735 (rapporteur Mr DE LEEUW). In that opinion it is once more highlighted that the EESC is firmly committed to the United Nations 2030 Agenda for Sustainable Development and to the implementation of the Paris Agreement.



These positions were also reinforced by the opinion **European Green Deal Investment Plan** ECO/505 (rapporteur Mr TRIAS PINTO), through which the EESC called for an appropriate financial allocation to put Europe back on track towards achieving the SDGs and the objectives of the European Green Deal. The EESC also called for effective climate mainstreaming in all EU programmes, which is reflected in the informal political agreement that sets out the aim to improve climate and biodiversity tracking methodologies to ensure that at least 30% of the total amount of the Union budget and Next Generation EU expenditures will support climate objectives.

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Conditionality regime in relation to the rule of law

The final agreement reached by the Council and the European Parliament introduces a conditionality regime that allows to protect the EU budget where it is established 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 financial interests of the EU in a sufficiently direct way.

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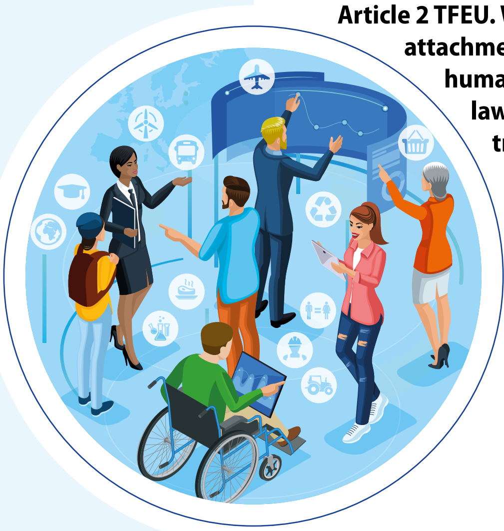
Conditionality regime in relation to the rule of law

The EESC resolution on post-COVID crisis reconstruction and recovery adopted on 11 June 2020 (rapporteurs Petr ZAHRADNIK, Stefano PALMIERI, Jan DIRX), underlines that "for the EESC, restructuring and improvement will have to be based on the principles underpinning all our work: protecting human and social rights, democratic values and the rule of law, unlock the full potential of the Single Market, achieving the Sustainable Development Goals (SDGs), creating a circular economy and achieving climate neutrality in the EU by 2050 at the latest" and "The coronavirus crisis has unfortunately also made it clear that it is essential to deepen intense pedagogical work across the EU on a citizen's culture of human rights and democratic coexistence on the basis of the **principles and values of Article 2 TFEU. We reiterate our deep and constant attachment to the fundamental values of human rights, democracy and the rule of law, as expressed in the EU founding treaties**".



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Own-resources

The final agreement contains a clear roadmap towards new own resources, which will help repay the borrowing under NextGenerationEU.

The Commission will put forward proposals on a carbon border adjustment mechanism and on a digital levy by June 2021and will also review the EU Emissions Trading System in spring 2021, including its possible extension to aviation and maritime. It will propose an own resource based on the Emissions Trading System by June 2021.

In addition, the Commission will propose further new own resources, which could include a Financial Transaction Tax and a financial contribution linked to the corporate sector or a new common corporate tax base.

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Own-resources

The EESC called more than once for an increasing share of revenue from own resources, since own resources have to support the EU´s policy objectives (for ex. climate change).

As further highlighted in its ECO/523 opinion on the **Recovery plan for Europe and the MFF 2021-2027** (Rapporteurs: Petru Sorin DANDEA, Tommaso DI FAZIO, Petr ZAHRADNÍK), the EESC calls for additional genuine own resources based on different taxes (revenues from the EU Emissions Trading System, digital taxation, large companies' revenues) to make the budget less dependent on Member States contributions.

The EESC's opinion ECO/521 on the **Euro area economic policy** (rapporteur Ms VORBACH), reiterates this point and requested that swift and decisive steps be taken to implement additional own resources.

This is a crucial and fundamental improvement, because this decision seems to pave the way to renew the whole EU financing system and move back to a less intergovernmental financial governance.