

## **Next Generation EU - Putting the Recovery on Solid Financial Footing**

In late May, the European Commission has presented a proposal for an ambitious recovery package consisting of a renewed MFF as well as a recovery plan called Next Generation EU that has a massive Recovery and Resilience Facility at its core. While the proposals were lauded as welcome sign of European solidarity, the proposals unfortunately have left several important questions unanswered. This paper outlines a couple of key points the EPP Group should focus on during the upcoming legislative deliberations.

**Democracy:** Commission President Ursula von der Leyen has promised during her plenary intervention that the European Parliament as the body directly representing European citizens will be involved in the recovery program every step of the way. We should take her at her word. The recovery plan needs democratic accountability just as much as the regular MFF. Therefore, just adopting the base regulation and then handing over the baton to the Commission will not cut it. As EPP we have campaigned for a more democratic European Union and therefore should fight for a close involvement of the European Parliament at every stage of the recovery plan.

**Solid Financial Footing:** The Commission proposals are very specific when it comes to spending the money, but very vague on the refinancing aspect. The reliance on non-existent own resources, a payment plan that is supposed to start only in 2028 and stretches over a thirty year period and will thus cover multiple MFFs is not in line with the idea of budgetary responsibility that the EPP cherishes. In order to remedy this problem, the EPP Group should push for a repayment plan that starts as early as the second half of this MFF.

**Conditionality:** The funds in the recovery package must not be used to plug holes in national budgets, but to benefit companies and citizens across the Union and to improve the long-run competitiveness of all Member States. In order to achieve that goal, we have to think about some sort of conditionality. Unfortunately, the European Commission has shelved the proposals for a Reform Support Programme and the Budgetary Instrument for Competitiveness and Convergence and replaced it with a much weaker conditionality regime in the Recovery and Resilience Facility. In order to ensure that the funds in Next Generation EU are put to the best use, the EPP Group should push for strong conditionality.

**Own Resources:** The Commission proposals rely heavily on new own resources that currently do not exist and that are likely hard to obtain (think about how long we have been debating the Financial Transaction Tax and the Digital Tax). Unfortunately, the Commission only intends to make a concrete proposal for an own resources decision by the end of the next MFF period. Therefore, spending decisions and financing decisions are misaligned. If the promised new own resources do not materialise due to complication in the Council, there is a sudden and substantial long-term downside risk for the EU budget. In the spirit of fiscal prudence, the EPP Group should therefore fight for an own resources decision that is taken at the same time as the spending decisions are being made.

**Aligning Next Generation EU and MFF:** Interest expenses and payback of the principle will have to be made via the European budget. Therefore, the MFF has to fully reflect the payments that have to be made in relation to the recovery package.