

Next multiannual financial framework and recovery package: Council moves to finalise adoption



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The EU institutions are finalising the procedures for the adoption of the multiannual financial framework for 2021-2027 and the recovery package. The Council today adopted a set of decisions on legislative acts forming part of the package and laying down the EU budgetary framework for the coming years.

The decisions follow the European Council meeting on 10-11 December, as a result of which all member states could support the package.

The legislative acts adopted today include the own resources decision, which defines how the EU budget is financed. The decision needs to be approved by all 27 EU member states in accordance with their constitutional requirements to enter into force. Its adoption today allows the ratification process to start.

Once approved, the decision will raise the maximum amount of resources that can be called from member states in any given year to finance EU expenditure – the so-called own resources ceiling – from 1.20% to 1.40% of the sum of the EU-27 Gross National Income. This reflects the integration of the European Development Fund into the EU budget and addresses the withdrawal of the UK, a former net contributor to the EU budget.

The Commission will also be authorised, on an exceptional basis, to borrow temporarily up to €750 billion in 2018 prices on the capital markets to address the consequences of the COVID19 crisis. In parallel, the own resources ceiling will be

exceptionally and temporarily increased by a further 0.6 percentage points to cover all liabilities of the EU resulting from this borrowing until all the borrowed funds have been repaid.

The decision also simplifies the calculation of the EU own resource based on value added tax and introduces a new EU own resource from 1 January 2021 – a contribution from member states based on non-recycled plastic packaging waste.

The Council has also adopted today a regulation establishing the European Union Recovery Instrument.

The regulation identifies the COVID-19 recovery measures to be financed from the €750 billion of borrowed funds, defines the time limits for the use of the funds and determines their allocation to different EU programmes. It establishes that €390 billion of the funds will be spent for non-repayable support, repayable support through financial instruments or for provisioning for budgetary guarantees and related expenditure. €360 billion will be used to provide loans to member states.

The Council today adopted its position at first reading on the draft regulation on a general regime of conditionality for the protection of the Union budget. This paves the way for the European Parliament's final vote on the regulation on Wednesday.

The regulation 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.

The Council today decided to forward the regulation laying down the multiannual financial framework for the years 2021-2027 to the European Parliament for its consent. The EP's consent is required before the Council can formally adopt the next multiannual financial framework. The European Parliament is expected to vote on its consent on Wednesday.

In parallel, the Council has approved the draft interinstitutional agreement on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as the joint declarations agreed with the Parliament and the Commission as part of the talks concluded on 10 November. The Parliament and the Commission are expected to approve them by Wednesday.

Separately, the Council has also today adopted its position on the second draft budget for 2021, presented by the Commission last week. The draft budget reflects the common understanding reached on the content of the budget for 2021 in the conciliation committee on 4 December.

The European Parliament is expected to adopt the budget for 2021 by the end of this week, so that the first budget of the next multiannual financial framework can start running from 1 January 2021.

The total commitments in the 2021 budget are set at €164.2 billion and total payments at €166.1 billion. Funding has been directed towards mitigation of the effects of the COVID-19 pandemic, support for a sustainable recovery and the EU's green and digital transitions, in line with the priorities addressed in the next multiannual financial framework.

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Press Contacts

1. **Eric Mamer**

Chief Spokesperson

eric.mamer@ec.europa.eu

+32 2 299 40 73

2. **Dana Spinant**

Deputy Chief Spokesperson

dana.spinant@ec.europa.eu

+32 2 299 01 50

3. **Elisaveta Dimitrova**

Head of Unit

elisaveta.dimitrova@ec.europa.eu

+32 2 295 88 38

4. **Johannes Bahrke**

Coordinating Spokesperson

johannes.bahrke@ec.europa.eu

+32 2 295 86 15

5. **Vivian Loonela**

Coordinating Spokesperson

vivian.loonela@ec.europa.eu

+32 2 296 67 12

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