Launching the recovery

Next Generation EU
a Recovery plan for Europe

UCSIA webinar 10 September 2021

Xavier Vanden Bosch
European Commission
WHY was a common EU economic response needed? (1/2)

Across the EU, COVID-19 caused a deep and uneven recession...

… and an uncertain and uneven recovery, across Member States and sectors.

2020 GDP impact at regional level (excl. impact of policy measures) -
Source: Commission services (Joint Research Center) (Spring 2020)

Real GDP-level in Q4 2021 vs Q4 2019
Source: Commission services (Spring 2020)
WHY was a common EU economic response needed? (2/2)

<table>
<thead>
<tr>
<th>Single market threatened</th>
<th>Deep interlinkages between EU economies</th>
</tr>
</thead>
<tbody>
<tr>
<td>uneven depth of recession depending on economic structures and capacity to absorb &amp; respond to economic shock</td>
<td>all EU industrial sectors rely on complex supply chains spread across several Member States</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Lessons learned from 2008-09 financial crisis</th>
<th>Risks of Social fragmentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>reforms &amp; investment essential for recovery &amp; long-term growth</td>
<td>unravelling of progress in fostering social cohesion in the EU</td>
</tr>
</tbody>
</table>
Overview of the EU economic response

Recovery Plan for Europe
- €750 bn Next Generation EU – cornerstone: Recovery and Resilience Facility
  - €1074 bn long-term EU budget

State aid rules
- liquidity to economy
- support SMEs, jobs, etc.

Additional safety nets
- SURE: €100 billion for workers
- EIB: €200 bn for companies
- ESM: €240 bn for sovereigns

Budgetary flexibility
- Activation of the general escape clause of the Stability and Growth Pact

ECB measures
- €1350 bn new measures

Coronavirus Response Investment Initiative
- unspent cohesion policy funds
- transfers between funds, regions and priorities
WHAT is Next Generation EU?

Multiannual Financial Framework (MFF)
The EU’s 7-year budget

Total €1,824.3 billion

Next Generation EU (NGEU)
COVID-19 recovery package
• €390 billion grants
• €360 billion loans

€672.5 billion allocated to EU countries’ Recovery and Resilience plans

€1,074.3 billion

€750 billion
Financing the largest EU stimulus package ever: transformative effect on capital markets

• **€800 billion to be raised** (current prices) by end 2026 (€150 billion/yr on average)

• Up to €250 billion as **green bonds** (30% climate target)

• 2022 budget: **€167.8 billion** + NextGenEU: **€338.3 billion**

• EU budget **new revenue sources**, incl. a national contribution based on non-recycled plastic packaging waste
A roadmap towards new sources of revenue to help repay the borrowing

By June 2024, the Commission will propose new sources of revenue, such as:

- a carbon border adjustment mechanism
- a digital levy
- the EU Emissions Trading System
- a Financial Transaction Tax
- a financial contribution linked to the corporate sector
- a new common corporate tax base
Recovery and Resilience Facility

up to EUR 672.5 bn

Grants
up to EUR 312.5 bn

Loans
up to EUR 360 bn

Reforms and Investments

• Lasting impact
• Contribution to addressing country-specific recommendations
• Contribution to 6 RRF pillars

27 Plans

min. 37% Green
min. 20% Digital
each measure: do-no-significant-harm principle
The Facility has six policy pillars, directly impacting our daily lives:

- Green Transition
- Digital Transformation
- Social and Territorial Cohesion
- Smart, Sustainable and Inclusive Growth
- Health, Economic, Social and Institutional Resilience
- Policies for the next Generation
State of play – Submissions of national Recovery and Resilience Plans

12 Plans before or on 30 April
- Portugal
- Spain
- France
- Germany
- Slovakia
- Latvia
- Denmark
- Greece
- Luxembourg
- Austria
- Italy
- Belgium

13 Plans submitted after 30 April or with an extension request
- Poland*
- Slovenia*
- Croatia*
- Hungary
- Cyprus
- Lithuania
- Finland*
- Sweden*
- Ireland
- Czechia
- Romania*
- Estonia*
- Malta*

2 Other plans
- Bulgaria
- Netherlands

* Plans submitted with an extension of the assessment period
23 June 2021:
EU Commission greenlights BE plan
## Decision and Commission assessment of plans

### Council Implementing Decision (CID)
- Legal agreement between the European Union and Belgium on the plan
- Proposed by Commission and adopted by the Council

### Council Implementing Decision
- Outline of the reforms and investments and their timeline for implementation (milestones and targets)
- “Roadmap and timeline” for implementation, which will trigger regular disbursements

### Staff Working Document
- Outline and detailed explanations of the findings of the CID
- Annex listing the climate and digital contributions per investment
Overview of the Belgian Recovery and Resilience Plan

- **17 components**
- **140 measures**
- **35 reforms**
- **105 investments**
- **210 Milestones & Targets**
- **€5,9 bn in grants**

Pie chart showing:
- 17% Climate, sustainability and innovation
- 34% Digital transformation
- 14% Mobility
- 22% Social and living together
- 13% Economy of the future and productivity
- 6% Public finances
Green transition

50% of plan allocated to **climate** objectives

**Key investments**
- Sustainable transport (€1,3bn)
- Renovation wave (€1bn)
- H2 production and transport, offshore island and CO2 capture and transport (€0.6bn)
- Biodiversity and climate adaptation (€0.4bn)

**Do No Significant Harm:**
No measure in the plan harms environmental objectives

**Key reforms**
- Zero-emission company car scheme
- Legislative frameworks for e-mobility in the 3 regions
- Improved energy renovation subsidy schemes

**Cross-border projects**
- IPCEI on hydrogen
Digital transition

27% of plan allocated to digital objectives

Key investments
- E-government services (public administration, justice, health) (€ 585mio)
- Digital skills and e-inclusion (€277mio)
- Connectivity investments (€90mio)
- Cybersecurity (€79mio)

Key reforms
- Reforms enabling 5G and fibre deployment: 5G auctioning, revision of regional radiation standards, permitting streamlining

Sector-specific actions
- Education
- Public Employment Services
- Tourism, media & culture

Cross-border projects
- IPCEI on micro-electronics
Resilience

Labour market
• Boosting training and coaching
• Education 2.0
• Labour reforms

More resilient public finances
• Spending reviews at all levels of government
• Reform for more sustainable and fair pension system

Improving business environment
• E-government, including 'only once principle'
• Digitalisation of justice
• Support to research & innovation
• Cybersecurity

Future-proof economic activities
• Investments in emerging energy technologies
• Circular economy
NGEU impact on Belgium GDP level (%)

*This QUEST stylised scenario does not include the impact of structural reforms*
Strong growth effects of joint action at EU level

Source: European Commission, 2021, Quantifying Spillovers of Next Generation EU Investment, Discussion paper 144.
Next steps

**MEMBER STATE**
Countries formally submit their Recovery and Resilience Plans (RRP) (incl. milestones & targets which will be linked to financial disbursements)

By 30 April as a rule
24 plans submitted so far

**COMMISSION**
The Commission assesses RRPs and transposes their content into proposals for Council Implementing Decisions

The Commission proposes a Council Implementing Decision within 2 months of receipt

Staff Working Document summarizes assessment and accompanies proposal

**COUNCIL**
The Council approves assessment of RRPs on a case-by-case basis and adopts corresponding Council Implementing Decisions

Within 4 weeks, as a rule, after Commission has brought forward proposal for a Council Implementing Decision

**COMMISSION—MEMBER STATE**
Signature of financing (and loan) agreement
Payment of pre-financing (13% of total support upfront)

BE will receive €770 mio of pre-financing

**MEMBER STATE**
Member States request further disbursements upon reaching agreed milestones and targets

Up to twice a year

**COMMISSION**
Commission prepares preliminary assessment of request

Within two months

**MEMBER STATE**
Member States receive instalment of EU financial support

Following a Commission’s decision that takes into account EFC opinion

1st disbursement of €847 mio to take place in Q2 2022
NextGenEU offers an **unprecedented common EU response** to help power the EU recovery

- NextGenEU will **accelerate the green and digital transitions** in Belgium, stimulate **growth** and make the country even better **prepared for the future**

To make NextGenEU real, **effective implementation** on the ground will be key, requiring continued involvement of all **stakeholders**, incl. social partners.
Further information

• Next Generation EU
  - Next Generation EU: [https://ec.europa.eu/info/strategy/recovery-plan-europe_en](https://ec.europa.eu/info/strategy/recovery-plan-europe_en)

• EU Commission assessment of Belgian Recovery and Resilience Plan
  - Commission endorses Belgium’s €5.9 billion plan (europa.eu)

• Country-specific recommendations to Belgium

• Follow the Representation of the European Commission in Belgium on social media and attend our events: #EU4BE
Thank you

Follow us @EU4BE