

“NEXT GENERATION” A TOOL THAT ENABLE RECOVERY UE BUDGET AFTER COVID-19

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Abstract. Cohesion policy and the common agricultural policy will continue to receive significant funding and will be modernized to ensure their optimal contribution to Europe’s economic recovery and the EU’s environmental and digital goals. The Commission has proposed a stronger EU budget to address the immediate economic and social damage caused by the coronavirus pandemic; it initiates a sustainable recovery and protects and creates jobs. To temporarily increase the financial strength of the EU budget, the Commission proposed to implement an emergency instrument named Next Generation EU. The paper studied financial perspectives, EU priorities and programs to support the immediate measures needed to recover economies affected by the COVID-19 pandemic crisis and encourage sustainable and resilient growth.

Key words: budget, EU, Multi-Annual Financial Framework, stream analyses, EU Next Generation

INTRODUCTION

On 2 May 2018, the Commission presented a proposal on the EU budget for 2021-2027, outlining the main objectives for reducing illegal migration, strengthening, and ensuring the security of Member States and developing smart specialization to contribute to the EU’s economic development. That proposal was immediately followed by legislative proposals for the 37 sectoral programs that are part of the future long-term budget. [8, 9, 14].

The financial framework provides for any other provisions necessary for the proper conduct of the annual budgetary procedure. According to Article 312 of the Treaty on the Functioning of the European Union (TFEU), the MFF, sets the values of the annual ceilings on commitment appropriations by category of expenditure and the annual ceiling on appropriations for payments”, and also „any other provisions useful for the proper annual budgetary procedure” [6,7]. Pursuant to the new provisions of the Treaty of Lisbon, the Council, acting in accordance with a special legislative procedure, unanimously adopts the Regulation establishing the Multiannual Financial Framework, after obtaining the consent of the European Parliament, which acts by a majority of its component members.

To accept the MFF, Parliament imposed the condition that in the middle of the MFF period it be necessary to revise it, which allows it to reanalyse budgetary needs during the MFF and adapt them if necessary. The MFF Regulation is accompanied by an Interinstitutional Agreement (IIA) between the European Parliament, the Council and the Commission on budgetary discipline, cooperation in budgetary matters and in budgetary issues and good financial management. The revised MFF for the period 2014-2020 was adopted on 20 June 2017 and was accompanied by an agreement on providing additional support for measures related to migration, employment and economic growth.

It also strengthened the Flexibility Instrument and the Emergency Aid Reserve, enabling a larger volume of funds to be transferred between budget lines and exercises, so that the Union can respond to unforeseen events and new priorities.

In response to the economic fallout from the coronavirus (COVID-19) pandemic, the European Council agreed on the Next Generation EU (NGEU) instrument. NGEU allows the European Commission to issue debt to finance grants and loans to EU Member States, with the disbursement of funds intended to be weighted towards the countries most affected by the crisis. [1,3]

It is intended to implement this instrument of EUR 750 billion to temporarily increase the financial strength of the EU budget. The funds raised will be channelled through EU programs to support the immediate measures needed to protect livelihoods, recover the economy, and encourage sustainable and strengthened growth. In other words, the aim is to create a consolidated multiannual financial framework for 2021-2027 to quickly channel investment to where it is most needed, to strengthen the single market, to step up cooperation in areas such as health and crisis management, and to provide the Union with a long-term budget to lead green and digital transitions and build a fairer and more resilient economy.

NGEU is a temporary crisis instrument that, if implemented successfully, is expected to significantly improve Europe's economic prospects. In the short term, it should support the recovery of the EU economy. [4,5] Starting in 2021, there will be a new long-term budget a modern budget that protects, empowers, and defends.[2]

MATERIALS AND METHODS

In this paper, the authors used as a methodology statistical research, observation, analysis and interpretation of data, information obtained from various bibliographic sources, from the statistics datas, European Commission and from the Treaty of UE. Regarding the research methodology, the research team adopted a balanced mix on quantitative-qualitative axes.

The quantitative part is based on the analysis of secondary data (Eurostat statistics and databases, national statistics, various studies, reports, articles, and literature research) relevant to the research topic, combined with critical and creative re-interrogation and reinterpretation of appraisals from the scientific literature.

The qualitative part aims to provide relevant information through the following concrete methods: comparative analysis, preparation of case studies, collection of examples of good practices in the field (throughout the documentation and elaboration of research).

This study aims to analyze the opportunities for Romania's economic recovery in the post-pandemic period, in the context of the EU's Multiannual Financial Framework for 2021-2027 and the Next Generation EU program, focusing on the medium and long-term economic impact also on the ecology transitions and digital.

RESEARCH RESULTS

In December 2020, the Council adopted the regulation establishing the EU's multiannual financial framework for the period 2021-2027, of EUR 1,074.3 billion at 2018 prices, including the integration of the European Development Fund. [10,12,13]

In other words, the aim is to create a strengthened multiannual financial framework for 2021-2027, EU funding will be directed to new and consolidated priorities in all EU policy areas, including the green and digital transition. Funds for border management, migration, security, defence, development cooperation and research are expected to be increased.

The aim is to implement a so-called EU Next Generation emergency instrument of EUR 750 billion to temporarily increase the financial strength of the EU budget. The Next Generation EU instrument will raise funds by temporarily raising the ceiling on own

resources to 2.0% of EU gross national income, allowing the Commission to use its strong credit rating to borrow EUR 750 billion from financial markets.

Thus, to facilitate the reimbursement of funds raised from the market and to contribute more to reducing the pressure on national budgets, the Commission will propose, in addition to the proposed own resources in 2018, new additional own resources, such as: taxation digital services, financial transaction taxation, revenues from the emissions trading scheme, a plastics tax and a border adjustment mechanism for carbon dioxide emissions. Funds from grants and loans will be channelled through EU programs to support the immediate measures needed to recover economies and encourage sustainable and resilient growth. In addition to the EU's proposed recovery instrument, the Next Generation EU budget will allow the EU to provide EUR 1.8 trillion in funding over the next seven years to support the recovery from the COVID-19 pandemic and the and the EU's long-term priorities spending in seven areas, to fund the 37 sectoral programs that are part of the future long-term budget. [15,16]

Table 1.

Commitment appropriations according to MFF 2021-2027 (in EUR billion, at 2018 prices)

Commitment appropriations	2027	Next Generation EU	Total
1. The single market, innovation and the digital sector	132.8	10.6	143.4
2. Cohesion, resilience and values	377.8	721.9	1,099.7
3. Natural resources and environment	356.4	17.5	373.9
4. Migration and border management	22.7	-	22.7
5. Security and defence	13.2	-	13.2
6. Neighbourhood and the whole world	98.4	-	98.4
7. European public administration	73.1	-	73.1
TOTAL COMMITMENT CREDITS	1,074.3	750	1,824.3

Source: Recovery Plan for Europe/The European Commission [9,10]

The EU will spend EUR 132.8 billion on “single market, innovation and the digital sector” and EUR 377.8 billion on “cohesion, resilience and values”.

Thanks to additional funding from Next Generation EU, these amounts will increase to EUR 143.4 billion and EUR 1,099.7 billion, respectively, including loans to Member States. Another EUR 356.4 billion in funding will be allocated to natural resources and the environment (EUR 373.9 billion with a contribution from Next Generation EU).

Expenditure on migration and border management will amount to EUR 22.7 billion over the next seven years, and EUR 13.2 billion will be spent on security and defence. Funding for “the neighbourhood and the whole world” will amount to EUR 98.4 billion.

Table 2.

Commitment and payment appropriations according to MFF 2020-2027 (in EUR million, at 2018 prices)

Commitment appropriations	2021	2022	2023	2024	2025	2026	2027	Total 2021-2027
1. The single market, innovation and the digital sector	19,712	19,666	19,133	18,633	18,518	18,646	18,473	132,781
2. Cohesion, resilience and values	49,741	51,101	52,194	53,954	55,182	56,787	58,809	377,768
2a. Economic, social and territorial cohesion	45,411	45,951	46,493	47,130	47,770	48,414	49,066	330,235
2b. Resilience and values	4,330	5,150	5,701	6,824	7,412	8,373	9,743	47,533
3. Natural resources and environment	55,242	52,214	51,489	50,617	49,719	48,932	48,161	356,374
of which: Market expenditure and direct payments	38,564	38,115	37,604	36,983	36,373	35,772	35,183	258,594
4. Migration and border management	2,324	2,811	3,164	3,282	3,672	3,682	3,736	22,671
5. Security and defence	1,700	1,725	1,737	1,754	1,928	2,078	2,263	13,185
6. Neighbourhood and the whole world	15,309	15,522	14,789	14,056	13,323	12,592	12,828	98,419
7. European public administration	10,021	10,215	10,342	10,454	10,554	10,673	10,843	73,102
of which: Administrative expenditure of institutions	7,742	7,878	7,945	7,997	8,025	8,077	8,188	55,852
TOTAL COMMITMENT CREDITS	154,049	153,254	152,848	152,750	152,896	153,390	155,113	1.074,3

Source: [https://www.europarl.europa.eu/factsheets/ro/sheet/29/cadrul-financiar-multianual\[9\]](https://www.europarl.europa.eu/factsheets/ro/sheet/29/cadrul-financiar-multianual[9])

New priorities require new investments. For this reason, the Commission proposes to finance them through a combination of new funds (around 80%), reallocations and savings (around 20%).

According to the EU's Economic and Social Recovery Plan, of the total amount of EUR 750 billion, Romania will benefit from EUR 33 billion - of which EUR 19.62 billion are non-reimbursable funds - money that have to be absorbed by 2023. Thus, about EUR 26 billion will be able to be accessed, in the form of grants and loans, through the Mechanism for Recovery and Resilience, money that will be dedicated to investments and reforms in the green and digital fields. [14]

CONCLUSIONS

With the proposal budget, the European Commission, during the multiannual financial framework for 2021-2027, wants to balance spending areas, redesign programs to maximize their effectiveness and support political priorities.

To underline the Union's commitment, in line with the objectives of the Paris Agreement and the "do no harm" principle of the Green Pact, that money must not be invested in ways that run counter to the Union's climate goals, at least 30% of the € 1.8 trillion agreed in the long-term budget for 2021-2027 and Next Generation EU should be

spent on climate policies and programs, and Member States will have to commit to allocating at least 37% of spending on green investments in their recovery and resilience plans, which will give them access to most of the funds under the Next Generation EU. [15,16]. The Member States of the Union contribute to the annual budget in amounts relatively proportional to their level of economic prosperity.

New priorities for EU public policy measures also require new budget revenues. The Commission therefore proposes financing them by combining new revenue (around 80%) and transfers and savings (around 20%). The Commission proposes to modernize and diversify the own resources system by introducing new own resources during the multiannual financial framework for the period 2021-2027 (“MFF 2021-2027”) which will be used for the early repayment of Next Generation EU loans.

According to the EU's Economic and Social Recovery Plan, Romania will benefit from non-reimbursable funds in the form of grants and credits for investments and reforms in the green and digital fields.

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