System of own resources of the European Union

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The European Commission has presented an amended proposal for a Council Decision on the system of the European Union's own resources in view of the need for a comprehensive, bold and sustained response to the challenges posed by the COVID-19 outbreak.

BACKGROUND: the COVID-19 pandemic constitutes a widespread and severe public health crisis with profound implications for citizens, societies and economies around the world. It poses major and unprecedented challenges to the economic and financial systems of Member States.

According to the Commission’s spring economic forecasts, the EU GDP is forecast to contract by about 7.5 % this year, far deeper than during the global financial crisis in 2009, and to rebound by only 6% in 2021 while the EU unemployment rate is set to rise to 9% in 2020, with a risk of rising poverty and inequality.

In response to this emergency situation, Member States have adopted exceptional financial measures which have a considerable impact on their public finances. However, as its effects are not symmetrical across Member States, the crisis risks widening disparities within the Union and could result in lasting damage to the EU’s economic tissue unless it is met with a commensurate short and medium term policy response at the level of the Union.

The Union has acted swiftly to provide a powerful and coordinated collective response to the social and economic consequences of the crisis, within the limits of the current multiannual financial framework which expires in 2020. However, financial resources on an exceptional scale are needed to address the consequences of the COVID-19 crisis without increasing the pressure on Member States' finances.

The Commission therefore considers it urgent to provide additional financial capacity immediately available to support recovery and resilience throughout the Union.

CONTENT: the Commission's amended proposal aims to allow the mobilisation of part of the funds needed to support the recovery through borrowing on capital markets. These borrowings would be repaid when the Union returns to a positive growth path.

Empowerment of the Commission to borrow funds on capital markets

Under the amended proposal, the Commission shall be empowered, on an exceptional basis, to temporarily borrow on behalf of the Union up to a maximum of **EUR 750 billion** on the capital markets at 2018 prices. This amount shall be used only for expenditure up to EUR 500 billion and for loans up to EUR 250 billion to address the consequences of the COVID-19 crisis.

The proceeds of the borrowing operations shall be allocated to the European Union Instrument for Recovery. This instrument shall make it possible to finance the various policies covered by the EU Recovery Plan. The support shall be limited in duration and the bulk of the funding shall be provided immediately after the pandemic.

Repayment of funds borrowed to provide non-repayable support shall be financed from the EU budget. Borrowed funds that are provided as loans to Member States shall be repaid from sums received from the beneficiary Member States.

The EU budget shall start making the required repayments of the funds borrowed on capital markets from 2028 onwards. All liabilities of the Unions incurred by the proposed act shall be **fully repaid by 2058**. The repayment shall be organised according to the principle of sound financial management with a view to achieving a steady and predictable reduction of liabilities during the overall period.

Repayments to be made by the budget should start in 2028, while all liabilities incurred by this exceptional and temporary empowerment to borrow funds should be fully repaid by 31 December 2058.

The amounts due by the Union in a given year for the repayment of the principal shall not exceed 7.5% of the maximum amount borrowed for expenditure.

Raising the own resources ceilings

In order to preserve a sufficient margin under the Own Resources Decision ceilings for the Union to cover all of its financial obligations and contingent liabilities falling due in any given year, the Own Resources Decision ceiling should be increased to a level of 1,40 % of the sum of the Member States' Gross National Income at market prices for appropriations for payments and of 1,46 % for the appropriations for commitments.

In addition, the ceilings of the own resources decision should be adjusted upwards, on a temporary basis, by 0.6 percentage points. This additional allocation may only be used to meet financial obligations and contingent liabilities arising from the exceptional and temporary empowerment to borrow funds.