

German Bundestag

19th electoral term

Decision

The German Bundestag, at its 218th sitting, held on 25 March 2021, acting on the basis of Bundestag printed paper 19/27838, has adopted the following decision:

Additional reporting obligations on the Federal Government in relation to the EU recovery instrument NextGenerationEU

I. The Bundestag notes:

In consenting to the Act on the Council Decision of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom (*Eigenmittelbeschluss-Ratifizierungsgesetz*), the German Bundestag approves the financing of the 2021–2027 EU multiannual financial framework (MFF) and the temporary and one-off recovery instrument NextGenerationEU (NGEU). With the volume of the MFF at EUR 1.0743 trillion and that of NGEU at up to EUR 750 billion, comprising up to EUR 390 billion for grants and up to EUR 360 billion for loans, the EU will have expenditure of around EUR 1.8 trillion at its disposal in the coming years. The European Commission is empowered to take out time-limited loans of up to EUR 750 billion from the financial market to finance the NGEU recovery instrument. The own resources ceiling limiting appropriations for payments will be raised from 1.2% to 1.4% of member states' gross national income (GNI) and further raised by another 0.6 percentage points on a temporary basis, to finance the NGEU recovery instrument until 2058, bringing it up to 2.0% of member states' GNI. Additionally, a new category of own resources calculated on the basis of non-recycled plastic packaging waste (known as the plastics levy) will be introduced. The European Council has proposed a number of other new categories of own resources for assessment. They include own resources based on revenue from the Emissions Trading System, on taxation of digital services, on a carbon border adjustment mechanism, on a financial transactions tax and on a financial contribution in connection with the corporate sector or a new common corporation tax base.

The legal basis of the Own Resources Decision is the third paragraph of Article 311 of the Treaty on the Functioning of the European Union (TFEU). The recovery instrument is based on the exemption clause for cases of exceptional and severe economic difficulties in the Union under Article 122 TFEU. The Own Resources Decision needs to be ratified by all the member states. In the Federal Republic of Germany, under the second sentence of paragraph (1) of Article 23 of the Basic Law, this requires a federal law with the consent of the Bundesrat.

The Own Resources Decision enables the EU to borrow, on an exceptional and temporary basis, with a view to mitigating the economic damage caused by the

COVID-19 crisis. Long-term borrowing at the European level for the financing of operational expenditure is not permitted under this Own Resources Decision. The heart of the NGEU recovery instrument is the Recovery and Resilience Facility (RRF), which is based on the third paragraph of Article 175 TFEU and worth up to EUR 672.5 billion – comprising up to EUR 312.5 billion in grants and up to EUR 360 billion in loans for member states, to finance recovery as well as economic and social resilience by supporting reform and investment. There are also funds within the NGEU recovery instrument for other programmes: up to EUR 47.5 billion for REACT-EU, up to EUR 5 billion for Horizon Europe, up to EUR 5.6 billion for InvestEU, up to EUR 7.5 billion for rural development, up to EUR 10 billion for a Just Transition Fund and up to EUR 1.9 billion for RescEU. Funds from NGEU are ring-fenced for their stated purpose. Unspent funds cannot be reallocated or carried over. The loans to finance NGEU will be repaid from EU budget expenditure over a period of 31 years, starting in 2028 at the latest and finishing by 2058. The financing of repayments is thus assured by the member states' national contributions to the EU budget. All the above amounts are in 2018 prices.

70% of the resources from the RRF – grants and loans – are allocated to the member states according to a key that incorporates their unemployment rates for 2015 to 2019, inverse per capita GDP and their relative population sizes. The remaining 30% will be distributed in 2023 using an analogous key in which unemployment rates are replaced by reduction in GDP in 2020 and 2021.

The Federal Republic of Germany will avail itself of grants (but no loans) amounting, by current estimates, to approximately EUR 25 billion. The funds will be released from 2021 until 2026. There is a stipulation that 37% of the funding must be used for climate action and 20% must go towards the digital transition. The Federal Government adopted a draft of the German Recovery and Resilience Plan (GRRP) on 16 December 2020 and submitted it to the European Commission for assessment. The negotiations with the European Commission on the final GRRP are to be concluded by the end of April 2021.

Decisions about releasing funds from the Recovery and Resilience Facility are taken on the basis of prior assessment on the part of the European Commission regarding attainment of the milestones and targets defined in the national recovery and resilience plan of the member state in question. That prior assessment by the European Commission is sent to the Economic and Financial Committee (EFC), which is given the opportunity to provide an opinion. The European Commission then decides on the release of funds with reference to the EFC's opinion. If at least one member state asserts that there has been a serious deviation from the goals established in a recovery and resilience plan, the matter can be brought to the attention of the European Council. The only effect of this is postponement, however.

In accordance with the Act on Cooperation between the Federal Government and the German Bundestag in Matters concerning the European Union, the Federal Government informs the Bundestag of matters concerning the European Union comprehensively and as early as possible.

II. The Bundestag calls on the Federal Government:

to report to the Bundestag regularly, promptly and comprehensively on the development of the recovery instrument NextGenerationEU; the reports are intended, in addition to the established notifications under the Act on Cooperation between the Federal Government and the German Bundestag in Matters concerning the European Union, to give the Bundestag a brief overview,

supplemented in each case by the Federal Government's assessment, of the revenue and expenditure of the recovery instrument, particularly European borrowing, planned and actual use of funds from the Recovery and Resilience Facility, the decisions taken in the Economic and Financial Committee and/or the European Council, and the current situation with regard to the new types of own resources; on the basis of these reports, the Bundestag should be in a position to make an informed evaluation as to whether funds are being used appropriately;

specifically, the Bundestag is to receive reports as follows:

1. every six months:

A. on the overall development of the recovery instrument NextGenerationEU:

- summarising tables showing budgetary funds and ring-fenced revenue within the framework of the European Union recovery instrument
- detailed estimates of commitment and payment appropriations as well as legal obligations, itemised by headings and programmes to which ring-fenced revenue is allocated in accordance with the Council Regulation establishing a European Union Recovery Instrument:
 - o Recovery and Resilience Facility (grants and loans)
 - o REACT-EU
 - o Horizon Europe
 - o InvestEU
 - o rural development
 - o Just Transition Fund
 - o RescEU
- detailed information about the loans provided to the member states within the framework of the European Union recovery instrument

B. on borrowing by the European Commission:

- assets and liabilities of the European Union from borrowing and lending operations
- key data on the ongoing issuing of loans by the European Commission, particularly on the debt management strategy and issuance calendars containing the expected issuance dates and expected volumes for the forthcoming year

C. on, in detail, how funds from the Recovery and Resilience Facility are used by the member states:

- in cases of approval or amendment of plans: planned use of funds from the Recovery and Resilience Facility itemised by individual member states and by grant or loan, volume, run-time (for loans), purpose for which funds are to be used, conditions attached to the allocation of funds
- current state of play regarding funds used as of the reporting date, citing progress in terms of applications (grants and loans), allocations and funds released

D. on discussions in the Economic and Financial Committee (EFC) and the European Council on the member states' recovery and resilience plans:

- brief follow-up reporting on the EFC's discussions in connection with the member states' recovery and resilience plans

- brief follow-up reporting on the discussions of the European Council in connection with the member states' recovery and resilience plans

2. annually until the end of 2026:

on the progress made on planning and, where applicable, adopting the new European Union own resources:

- a new national contribution based on plastic packaging waste that is not recycled
- own resources based on revenue from the Emissions Trading System
- own resources based on taxation of digital services
- own resources based on a carbon border adjustment mechanism
- own resources based on a financial transactions tax
- own resources based on a financial contribution in connection with the corporate sector or a new common corporation tax base.