

7. Interventielijn ER zelf

[MFK / Recovery]

- This unprecedented crisis calls for unprecedented measures. Swift action has been taken: proposals concluded by Finance ministers in the Ecofin, ECB policy, and above all the efforts at national level in all MS.
- This was the immediate response to the crisis, to address the most urgent needs. For the next step we ought to focus on sustainable recovery and increasing resilience of all MS. The EU needs to get out of this crisis stronger. We need that in an unstable world.
- This requires on the one hand solidarity between and within MS. NL certainly willing to contribute to that. But it also requires from individual MS the responsibility to take measures that are necessary to recover from the crisis stronger and more resilient than before. My DK, SWE, AT colleagues and me stressed the importance of this also in the op-ed we published in the Financial Times earlier this week.
- NL will take a constructive approach towards the CIONs proposals. They contain elements that contribute to making MS indeed better prepared for the next crisis, like reforms and conditionalities and the link to green recovery and the digital economy. However there are also elements that go beyond purpose and are not politically feasible for NL.
- I have five main points:
 1. On the MFF the NL position is unchanged; savings and permanent corrections are necessary.
 2. NL stresses the importance of the links to transition to a climate-neutral, digital economy, and Rule of Law conditionality.
 3. NL is willing to work in spirit of solidarity on EU contribution to recovery in all MS on the basis of real needs and the impact of the Covid-19 crisis. On that basis there seems no need for a recovery instrument of the proposed size.
 4. The recovery instrument should work on the basis of loans.
 5. The link to national reforms should be strengthened.

Let me elaborate.

MFF

- **(1)** With regards to the MFF, NL position remains unchanged. Take note of CION's use of Negobox of 14 February as the starting point, but some changes go into the wrong direction. Especially with an additional recovery fund that finances regular MFF programmes, NL doesn't see the need for a permanent increase of the MFF on top of that. There is still room for adjustments and reprioritization within the proposals.

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- Maintaining permanent corrections as discussed in February will remain an essential part of the deal. The rationale behind corrections remains valid. Excessive budgetary imbalances must be avoided.
- NL remains reluctant towards the original and possible new proposals for new own resources. Also, the idea of first spending money and only afterwards deciding on how to repay it is a politically and budgetary problematic strategy.
- **(2)** NL stresses the importance of the focus of investments on green and digital transitions, as well as research and innovation. Now need to implement this in the actual proposals.
- The conditionality with regards to the rule of law must be maintained. RoL cannot be bargained with.

Recovery instrument – size and structure

- **Needs assessment (3):** The needs assessment does not provide a clear base for the size and distribution of the recovery instrument, nor the wide scope of investments. These should be linked to the COVID-19 impact. We should more clearly focus on what is best done at the national level and added value of the European effort on top of that. We ask to Commission to provide an update of the needs assessment on these issues as well as a breakdown by Member State.
- **Size + allocation + temporary:** The size and allocation of the recovery instrument has to be based on COVID-19 impact, otherwise there is no link to solidarity to those affected. Also NL is hit very hard, with relatively weak recovery in 2021 (due to reliance on external demand). The size of the fund must come down and the increase in headroom is too high. NL supports the one-off nature of the fund, but it should be more limited in time up to 2022.
- **Loans/grants (4):** NL is very concerned about proposed funding mechanism in CION proposal, by issuing debt to finance the EU budget (“loans for grants”). This is a fundamental point as it runs counter to sound budgetary principles (EU budget must be in balance, no debt-financing) and might lead to debt mutualization. It will create substantial repayment obligations for all MS in the coming years and decades, and will set an undesirable precedent holding the risk to be used over and over again.
- I am not convinced about the need for a grant-based recovery. Debt is debt no matter if on national or EU-level; it still has to be repaid. Therefore it is best using loans, given that all Member States can borrow more on the market and have sustainable debt according to CION.
- It is important to be transparent and thus include both the direct as well as the indirect costs for the implementation of all proposals on the table. For instance, any

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additional capital requirements of the European Investment Bank Group resulting from the new and amended proposals should be shared as soon as possible and before a decision on the proposals can be made. We consider any potential capital requirements a part of the full set of proposals, and not a separate process.

- **Reforms (5):** Strong commitment to structural reforms and the fiscal framework are essential to lift potential growth and enhance resilience. The BICC methodology proposed by CION is good starting point. However, if used for Recovery & Resilience Facility, it needs to be strengthened significantly with direct and clear links to reforms in the CSRs. We also need an independent assessment of proposals and progress. This assessment needs to include the 2019 CSR's on reforms that are essential to address medium- to long-term structural challenges and support lasting economic growth.
- **[PASSIEF over timing]:** NL agrees that swift agreement on this complex discussion helps the EU to move forward. However there are questions unresolved that we need to find an answer to, before we could support any deal. Process is also carefully watched by NL Parliament. Full transparency by the CION on details of the proposal helps to bring discussion forward.