



The recovery plan for Europe

EFBWW Analysis of the funds for the construction sector

On 21 July 2020, EU leaders agreed on a comprehensive package of **€1 824.3 billion** which combines the **€1 074.3 billion multiannual financial framework (MFF)** and an extraordinary **€750 billion** recovery effort, **Next Generation EU (NGEU)**. The package will help the EU to rebuild after the COVID-19 pandemic and will support investment in the green and digital transitions. The entire spending plan must be approved by the European Parliament.

Long-term EU budget (MFF)	Next Generation EU/ Recovery Fund	COVID-19 safety nets (already in place)
€1 074.3 billion	€750 billion	€540 billion

Increasing investment in the climate and digital transitions:

- **climate** mainstreaming **30% target** – all programmes contribute
- **digital** mainstreaming across programmes – budget increases for **Digital Europe** programme and **CEF** (Connecting Europe Facility)

Next Generation EU

Recovery and Resilience Facility
€672.5 billion

REACT-EU	Invest-EU	Horizon Europe	RescEU	Rural Development	Just Transition Fund
€47.5 billion	€5.6 billion	€5 billion	€1.9 billion	€7.5 billion	€10 billion

Flexibility

EU leaders agreed on a **Single Margin Instrument (SMI)** to allow the financing of specific unforeseen expenditure in commitments and corresponding payments that could not be financed otherwise. The SMI annual ceiling will be set at €772 million (2018 prices). They also agreed on three thematic special instruments to provide additional financial means for specific unforeseen events:

- **Brexit Adjustment Reserve** to support the member states and economic sectors hardest hit by Brexit (€5 billion)

- **European Globalisation Adjustment Fund** to support workers who lose their jobs in restructuring events linked to globalisation (€1.3 billion)
- **Solidarity and Emergency Aid Reserve (SEAR)** to respond to emergency situations resulting from major disasters in member states and accession countries, and for rapid response to specific emergency needs within the EU or in third countries (€1.2 billion)

Rule of law

The Union's financial interests will be protected in accordance with the general principles embedded in the Union Treaties, in particular the values referred to in Article 2 TEU.

EU revenue: own resources

EU leaders agreed to provide the EU with new resources to pay back funds raised under Next Generation EU. They agreed on a **new plastic levy** that will be introduced in 2021. In the same year the Commission is expected to put forward a proposal for a **carbon adjustment measure** and a **digital levy**, both of which would be introduced at the latest by 1 January 2023.

The Commission would then come back with a revised proposal on the **EU emissions trading scheme** (ETS), possibly extending it to the aviation and maritime sectors. There may also be other new resources, such as a **financial transaction tax**. The proceeds of the new own resources introduced after 2021 will be used for early repayment of NGEU borrowing.

Rebates

Lump sum rebates on the annual gross national income-based contribution will be maintained for **Denmark, Germany, the Netherlands, Austria and Sweden**.

Funds to be targeted for the construction sector

Fund	Available budget	Commitment	Suggested action	Whom to target	Make reference
Recovery and Resilience Facility (RRF)	Total: €672.5 billion loans: €360 billion grants: €312.5 billion	70% under the grants will be committed in 2021 and 2022 and 30% will be committed in 2023 .	influence the National Recovery and Resilience plans to include financial measures to boost the renovation of buildings	National Ministries of Economy and Energy	Renovation Wave National Energy and Climate Plans (NECPs) European Semester (National Reform Programmes)

REACT-EU	€47.5 billion (grants)	to be committed in 2020, 2021 and 2022 These funds will be available to the 2014-2020 European Regional Development Fund (ERDF) and the European Social Fund (ESF) and the European Fund for Aid to the Most Deprived (FEAD).	Make sure that REACT-EU will provide additional short-term funding for the construction sector	National Ministries of Economy, Energy, Cohesion, Environment + regional authorities	Renovation Wave National Energy and Climate Plans (NECPs) European Semester (National Reform Programmes)
Invest-EU	€5.6 billion Loans and other financial instruments	2021-2027	Identify construction projects that would need additional financial guarantees Engage with the European Investment Bank to understand which type of construction projects could be financed and how.	European Investment Bank European Commission Member States	Identify construction projects that require more financial support Engage with the Member States to start a dialogue with the EIB
Just Transition Fund	€10 billion grants with national caps	2021-2027	Influence the Territorial Just Transition Plans, drafted my Member	Ministries of Economy, Energy, Cohesion, Environment	Renovation Wave Quote: energy efficiency,

			States in coordination with their regions	+ regional authorities	construction, renovation under National Energy and Climate Plans (NECPs) European Semester (National Reform Programmes)
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Recovery and Resilience Facility (RRF)

Budget: €672.5 billion (in loans: €360 billion and grants: €312.5 billion)

Focus: investments and reforms on the challenges related to the green and digital transitions, to help create jobs and sustainable growth and make the Union more resilient.

Mechanism: To access the facility, Member States should prepare recovery and resilience plans setting out their reform and investment agendas for the subsequent four years, until 2024. The plans are presented by Member States and should be consistent with the challenges and priorities identified in the European Semester (in areas such as competitiveness, productivity, environmental sustainability, education and skills, health, employment, and economic, social and territorial cohesion) with the national reform programmes, the national energy and climate plans, the just transition plans, and the partnership agreements and operational programmes adopted under the Union funds. It will also ensure adequate focus of these investments and reforms based on the green and digital transitions, to help create jobs and sustainable growth and make the Union more resilient.

Member States will submit recovery and resilience plans to the Commission; they can do so each year until 2022 at the latest by 30 April of each year, but they could already submit a first draft together with their national draft budget in October 2020. If the assessment criteria are fulfilled, Member States will be able to receive grants with the possibility to complement with loans. Regarding grants a maximum allocation for each EU country will be determined depending on population, GDP per capita and unemployment rate. Concerning loans, a maximum volume of the loan for each Member State will not exceed 4.7% of its Gross National Income. Loans need to be justified by the higher financial needs linked to the recovery and resilience plans put forward by Member States.

Link with construction:

- Renovation Wave (in line with identified priorities under the European Semester or the National energy and climate plans (NECPs))

REACT-EU

Budget: €47.5 billion

Focus: ensuring crisis repair and creating foundations for recovery, by restoring growth and employment as quickly as possible, as well as a resilient economy and society, based on the twin objectives of a green and digital transition.

Mechanism: By adding €47.5 billion to the ongoing 2014-2020 cohesion policy programmes, this will provide additional support to Member States and regions most impacted by the coronavirus outbreak. Funding is exceptionally not broken down per region or sector, to allow targeting the areas (geographical or sectoral) where support is most needed. High level of pre-financing (50%), so that sufficient liquidity is available to ensure that support is delivered quickly in the real economy (to help people and enterprises). Additional amounts can be financed entirely from the EU budget, to ensure that a possible lack to match this with national co-financing is not an obstacle for the use of EU support.

Link with construction:

- reinforcing support to workers and to measures addressing youth employment.
- crisis repair measures - supporting job creation and maintenance (short-time work schemes and support for the self-employed, and providing urgent support to SMEs.
- enhance support to infrastructure

InvestEU Fund

Budget: €5.6 billion

Focus: sustainable infrastructure; research, innovation and digitisation; small and medium businesses and and social investment and skills.

Mechanism: InvestEU will be a part of the Commission's economic policy mix of investment, structural reforms and fiscal responsibility, to ensure Europe remains an attractive place for businesses to settle. It consists of:

- The InvestEU Fund: Mobilising public and private investment using an EU budget guarantee
- The InvestEU Advisory Hub: Providing technical advice on investment projects needing financing.

- The InvestEU Portal: An easily accessible database that matches projects with potential investors worldwide.

Link with construction sector:

- Renovation Wave
- energy efficiency and energy savings (with a focus on the refurbishment of buildings);
- sustainable transport infrastructure
- social infrastructure (with focus on: inclusive education and training, affordable social housing, health and long-term care)
- financial support to SMEs

Just Transition Fund

Budget: €10 billion financed from the EU budget, amounting to total up to €17.5 billion funding

Focus: This funding will be used to alleviate the socio-economic impacts of the transition, supporting re-skilling, helping SMEs to create new economic opportunities, and investing in the clean energy transition. In general, it is mostly envisaged for phasing out coal, nevertheless other industries and regions should target it to.

Mechanism: The Just Transition Fund is the first pillar of the Just Transition Mechanism. Access to the Just Transition Fund will be limited to 50% of national allocation for Member States that have not yet committed to implement the objective of achieving a climate-neutral EU by 2050, in line with the objectives of the Paris Agreement, the other 50% being made available upon acceptance of such a commitment.

A dedicated Just Transition Scheme will be established under InvestEU as the second pillar of the Just Transition Mechanism.

Link with construction:

- renovation of buildings
- decarbonisation projects
- economic diversification of the regions
- social infrastructure
- circular economy
- re-skilling, upskilling of workers
- energy and transport infrastructure, including gas infrastructure and district heating