

Ratification of the EU Own-Resources Decision: what is the state of affairs?

Miguel Carrión Álvarez – Funcas Europe

The EU regulation governing the Recovery and Resilience Fund, which came into force in February (1), commits member states to submitting national recovery and resilience plans by the end of April. The European Commission will then have two months to evaluate the plans, which the Council is expected to approve by the end of July (for a timeline see (2)). The Commission would subsequently disburse a pre-financing amount of 13% of the whole Recovery and Resilience Fund, but this is subject to the availability of funding, which depends on countries' ratification of the EU's own-resources decision. The purpose of this note is twofold: first, to ascertain the progress towards ratification, and second, to review the main remaining obstacles.

10 out of 27 member countries have not yet ratified the own-resources decision

The status of ratification of the own-resources decision and the submission of national recovery and resilience plans are listed in Table 1. A principal source for this is the report by the European Parliament think tank on the state of play on ratification (3). As ratification depends on each member state's own constitutional requirements, the situation varies between needing just government approval to parliamentary approval, and in the latter case a simple or qualified majority.

The table also gives the estimated RRF grants allocation as estimated by the Commission (4). Countries are sorted in decreasing order of GDP. The ratification status is as of the second week of April (5). The status of national recovery and resolution plans is as of 12 March and reflects whether member states were said by the Commission to have "*submitted draft plans 'or large parts' of them*" (6).

Until recently, Germany, the largest member state, seemed most at risk of not ratifying the decision by the end of July. On March 26, the German Constitutional Court held up the signing of the law ratifying the own-resources decision while it considered an injunction (7). But on April 21 the Court decided to reject the injunction on a balance of the costs (8). This clears the way for German ratification but leaves open the constitutionality of the own-resources decision. Once Germany has ratified, it will become harder politically for others not to. But the German court may theoretically still decide that Germany cannot take part in the joint funding of the recovery plan.

Table 1: summary of recovery fund status

	GDP (€bn)	grants (€bn)	grants/GDP	EU own resources decision	RRF plan submitted
EU	13304.0	338.0	2.5%		
EA	11321.2	268.3	2.4%		
Germany	3332.2	25.6	0.8%	not ratified	yes
France	2278.9	39.4	1.7%	ratified	yes
Italy	1651.6	68.9	4.2%	ratified	yes
Spain	1121.7	69.5	6.2%	ratified	yes
Netherlands	798.7	6.0	0.8%	not ratified	no
Poland	521.4	23.9	4.6%	not ratified	yes
Sweden	472.4	3.3	0.7%	ratified	yes
Belgium	449.6	5.9	1.3%	ratified	yes
Austria	375.6	3.5	0.9%	not ratified	no
Ireland	366.5	1.0	0.3%	not ratified	no
Denmark	311.7	1.6	0.5%	ratified	yes
Finland	237.5	2.1	0.9%	not ratified	yes
Romania	218.0	14.2	6.5%	not ratified	yes
Czechia	213.7	7.1	3.3%	ratified	yes
Portugal	202.5	13.9	6.9%	ratified	yes
Greece	165.8	17.8	10.7%	ratified	yes
Hungary	135.8	7.2	5.3%	not ratified	yes
Slovakia	91.1	6.3	6.9%	ratified	yes
Luxembourg	64.1	0.1	0.2%	ratified	no
Bulgaria	60.6	6.3	10.4%	ratified	yes
Croatia	49.1	6.3	12.8%	ratified	yes
Lithuania	48.8	2.2	4.5%	not ratified	no
Slovenia	46.3	1.8	3.9%	ratified	yes
Latvia	29.3	2.0	6.8%	ratified	yes
Estonia	27.2	1.0	3.7%	not ratified	no
Cyprus	21.0	1.0	4.8%	ratified	yes
Malta	12.8	0.3	2.3%	ratified	no

Of the countries that have not ratified the own-resources decision, the real holdouts are those that have not yet submitted to the Commission any elements of their national recovery plans. Germany, by contrast, has submitted a recovery plan. This signals a political commitment to the EU's strategy, in addition to Germany being an original proponent of Next Generation EU alongside France. All this makes ultimate ratification by Germany more likely, barring obstacles such as the ongoing constitutional court case. Similarly, Poland, Finland, Romania, and Hungary have submitted to the Commission at least drafts of their recovery plans, so they have a material interest in ratification of the own-resources decision.

But the Netherlands, Austria, Ireland, Lithuania, and Estonia, the five countries that reportedly have not even submitted draft recovery plans, are close to a hard core of principled opposition to fiscal union. They demonstrate this by not being in a hurry to plan how to spend the recovery fund. All five are among the twelve signatories of a "New Hanseatic League" letter to the Eurogroup president in June 2018 arguing against a eurozone budget (9), though Ireland also signed a letter by nine countries including France, Italy, and Spain, arguing for a "coronabond" to deal with the Covid-19 economic crisis. Other countries such as Denmark and Sweden break the pattern in the opposite direction to Ireland.

National obstacles to ratification

Germany

The German parliament and the federal council, where the German federal states are represented, both voted to ratify the own-resources decision by the end of March. But President Frank-Walter Steinmeier has been unable to sign the law into force so far because of the now-rejected constitutional court injunction. Ratification should now be expected very soon. However, the German Constitutional court stresses the following points in its decision to allow the signature to proceed (8):

- the challenge of unconstitutionality against the own-resources decision is admissible and not obviously unfounded;
- delaying the own-resources decision until the main case is decided would negatively and irreversibly impact its economic policy objectives;
- on the other hand, the fiscal impact on Germany of the own-resources decision is limited and, in case it is finally ruled unconstitutional, the German government would be empowered – and, in fact, obligated – to seek remedies.

Importantly, the German court entertains the possibility that the European Court of Justice could find the own-resources decision contrary to the EU treaties. Otherwise, the German court could still disagree and rule the EU has acted beyond its competences (*“ultra vires”*). Even if this is not so, the German court could still find the decision contrary to the German constitution.

Netherlands

The Netherlands was one of the countries most sceptical of the Recovery and Resilience Fund last year. But aside from principled opposition, ratification has been procedurally delayed by a general election held in March 2021. The process to form a government is proving difficult. The outgoing cabinet could have laid the groundwork for both a national recovery plan and ratification of the own-resources decision, but it did neither. The Dutch draft budgetary plan for 2021 submitted last October *“does not include any assumptions on revenue from and expenditure financed under the Recovery and Resilience Facility”* (10). The Commission assumes that the Netherlands will benefit from the pre-financing of the RRF grants, but this cannot happen if the country does not submit a national recovery and resilience plan.

Poland

In Poland, ratification of the own-resources decision requires the assent of both houses of the parliament. Currently, ratification is being held up by disagreement within the governing coalition as well as between the government and the liberal opposition. Poland and Hungary blocked approval of the own-resources decision at the European Council because of the linkage of EU funds disbursement to the rule of law. Eventually, a compromise was achieved to the satisfaction of the Law and Justice party in Poland. But a hard-line conservative junior coalition party, United Poland, is still unhappy about both the rule-of-law linkage and, more importantly, the mutual responsibility for EU debt issued to fund the recovery fund (11). The

disagreement within the governing coalition gives the opposition leverage.

The liberal opposition is withholding its support from the own-resources decision to pressure the government into including additional safeguards against cronyism in the national recovery plan. However, the left opposition may support ratification of the own-resources decision so that ensure Poland can stimulate its economy with its share of the grants.

Austria

The ratification process in Austria requires the approval of both houses of parliament, possibly with a qualified majority. The government intended the ratification process of the own-resources decision to start after March 15. On that date the government also promised the constitutional affairs committee of the national council, the upper house, that the recovery plan would be submitted in time (12). Nevertheless, little is known about the plan other than a leak by the think tank *Momentum Institut* last week (13).

Ireland

Ireland is unique in that its GDP is expected to continue to grow strongly through the Covid-19 years, as shown in a previous note (14). So, despite being in favour of coronabonds, the country is likely to benefit relatively little from the recovery fund, and even less than it expected last summer. The country ran a limited public consultation on its recovery plan for three weeks in February, and little else is known about the country's plan. Ratification is by the government and does not need the involvement of the parliament. There is no apparent reason why it could not happen quickly.

Finland

Finland published a preliminary national recovery and resilience plan on March 15, but it does not intend to finalise the plan for final submission to the Commission until mid-May, thus intentionally missing the end-April deadline (15). In the meantime, there is no indication that the country is in a hurry to ratify the own-resources decision either. However, ratification by parliament, by simple or qualified majority depending on how the legislation is assessed, could occur before the EU needs to disburse any money in July.

Romania

In Romania, much like in Poland, ratification of the own-resources decision is being held up by opposition demands that the government involve them in the drafting of the national recovery plan and accusing the government of cronyism (16). In Romania, parliamentary ratification requires a two-thirds majority which gives the opposition leverage.

Hungary

In Hungary, ratification of the own-resources decision depends on the parliament, where the government enjoys a comfortable majority. The government has not yet submitted the decision for ratification but, given the optimistic tone of government communication about its

own recovery plan, ratification should be expected to happen in time for disbursements in July.

Lithuania and Estonia

The three Baltic republics, Estonia, Latvia, and Lithuania, threatened in January to block the ratification of the own-resources decision unless the multiannual EU budget included in the co-called Connecting Europe Facility sufficient funding for the Rail Baltica project, a high-speed rail connection to Central Europe. This dispute dragged on until mid-March (17). In Latvia and Estonia ratification is a government decision, and Latvia ratified the own-resources decision in March. Estonia is yet to do so. In Lithuania, the parliament is involved and will consider the matter in the spring session which runs from March to the end of June in time for the first expected disbursements.

References

1. **Official Journal of the European Union.** Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility. *EUR-Lex*. [Online] 18 February 2021. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2021.057.01.0017.01.ENG&toc=OJ%3AL%3A2021%3A057%3AFULL.
2. **Carrion Álvarez, Miguel.** An analysis of the European Commission's guidelines on the recovery fund. *Funcas*. [Online] October 2020. <https://www.funcas.es/articulos/an-analysis-of-the-european-commissions-guidelines-on-the-recovery-fund/>.
3. **D'Alfonso, Alessandro.** National ratification of the Own Resources Decision: State of play. *European Parliament*. [Online] 18 March 2021. [https://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI\(2021\)690520](https://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI(2021)690520).
4. **European Commission.** Recovery and Resilience Facility: Maximum grant allocations (current prices). *Strategy*. [Online] 14 April 2021. https://ec.europa.eu/info/sites/info/files/about_the_european_commission/eu_budget/recovery_and_resilience_facility_.pdf.
5. **Amaro, Silvia.** German court dismisses legal challenge against the EU's pandemic recovery fund. *CNBC*. [Online] 21 April 2021. <https://www.cnbc.com/2021/04/21/german-court-dismisses-legal-challenge-against-eus-fund.html>.
6. **Curvelo Campos, André.** Seven EU countries have not yet submitted recovery plans. *EurActiv*. [Online] 12 March 2021. <https://www.euractiv.com/section/eu-council-presidency/news/seven-eu-countries-have-not-yet-submitted-recovery-plans/>.
7. **Bundesverfassungsgericht.** ängebeschluss zur Ausfertigung des Eigenmittelbeschluss-Ratifizierungsgesetzes. *Presse*. [Online] 26 March 2021. <https://www.bundesverfassungsgericht.de/SharedDocs/Pressemitteilungen/DE/2021/bvg21-023.html>.
8. —. Eilantrag zur Ausfertigung des Eigenmittelbeschluss-Ratifizierungsgesetzes abgelehnt („EU-Wiederaufbaufonds“). *Presse*. [Online] 21 April 2021. <https://www.bundesverfassungsgericht.de/SharedDocs/Pressemitteilungen/DE/2021/bvg21-029.html>.

9. **Brunsdén, Jim and Khan, Mehreen.** A dozen states reject proposed joint budget for single currency area. *Financial Times*. [Online] 22 June 2018. <https://www.ft.com/content/19eba02a-75fd-11e8-b326-75a27d27ea5f>.
10. **European Commission.** Opinion on the Draft Budgetary Plan of the Netherlands. *Business, Economy, Euro*. [Online] 18 November 2020. https://ec.europa.eu/info/sites/info/files/economy-finance/opinion_on_dbp_netherlands.pdf.
11. **Reuters.** Polish opposition vows not to support EU recovery fund 'in the dark'. *Healthcare*. [Online] 14 April 2021. <https://www.reuters.com/article/poland-eu-recovery-fund-idUSL8N2M73UA>.
12. **Parliament der Republik Österreich.** EU-Eigenmittelbeschluss: Ratifizierungsprozess in Österreich soll demnächst starten. *Parliament Aktiv*. [Online] 15 March 2021. https://www.parlament.gv.at/PAKT/PR/JAHR_2021/PK0302/.
13. **Momentum Institut.** EU-Aufbauplan: Warum wir Österreichs 3,5-Milliarden-Vorschlag leaken. *Moment*. [Online] 16 April 2021. <https://www.moment.at/story/eu-aufbauplan-oesterreich-leak>.
14. **Carrión Álvarez, Miguel.** Eurozone fiscal reform in light of Covid-19: a review of existing proposals. *Funcas Europe*. [Online] March 2021. <https://www.funcas.es/articulos/eurozone-fiscal-reform-in-light-of-covid-19-a-review-of-existing-proposals/>.
15. **Office of the Prime Minister of Finland.** Finalisation of Finland's recovery plan to continue into May. *Government and Ministries*. [Online] 13 April 2021. <https://vnk.fi/en/-/10623/finalisation-of-finland-s-recovery-plan-to-continue-into-may>.
16. **Neagu, Bogdan.** Romania's PSD blocks approval of EU's own resources decision. *Euractiv*. [Online] 11 March 2021. https://www.euractiv.com/section/politics/short_news/romaniyas-psd-blocks-approval-of-eus-own-resources-decision/.
17. **ERR.** Rail Baltica EU funding dispute reaches resolution. *News*. [Online] 12 March 2021. <https://news.err.ee/1608140158/rail-baltica-eu-funding-dispute-reaches-resolution>.