Opinion of the European Economic and Social Committee on the communication from the Commission to the European Parliament and the Council 'Mid-term review/revision of the multiannual financial framework 2014-2020: An EU budget focused on results'

(COM(2016) 603 final)

Proposal for a Council Regulation amending Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020

(COM(2016)604 — 2016/0283 (APP))

Proposal for a Regulation of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union and amending Regulation (EC) No 2012/2002, Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1305/2013, (EU) No 1306/2013, (EU) No 1307/2013, (EU) No 1308/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, (EU) No 652/2014 of the European Parliament and of the Council and Decision No 541/2014/EU of the European Parliament and of the Council

(COM(2016) 605 final — 2016/0282 (COD))

(2017/C 075/12)

Rapporteur: **Stefano PALMIERI**

Referral	European Commission, 20 April 2016
	Council, 9 December 2016
Legal basis	Article 304 of the Treaty on the Functioning of the European Union
Body responsible	Economic and Monetary Union and Economic and Social Cohesion
Bureau decision	20 September 2016
Adopted at plenary	14 December 2016
Plenary session No	521
Outcome of vote	169/5/9
(for/against/abstentions)	

1. **Conclusions and recommendations**

1.1. The EESC appreciates the efforts made by the Commission in proposing the mid-term review of the 2014-2020 multiannual financial framework (MFF) and welcomes the provisions for flexibility introduced to deal with the unexpected crises of recent years. It nevertheless considers that the framework put forward is not enough to tackle the challenges and priorities of the European Union (EU), especially with regard to the European political project which is today being brought into serious question.

1.1.1. The solution to global-scale challenges and crises must necessarily be sought at European level. For this reason the EESC considers that the present MFF and the post-2020 version should concentrate their own resources sufficiently, directing them towards programmes that can:

— relaunch economic, social and environmental development (including the Paris climate change agreement), employment, innovation and competitiveness,

— respond to the migration and refugee crisis, to internal security issues, external emergencies and the crisis in the agricultural sector.

1.2. In the EESC's view, the mid-term review of the 2014-2020 MFF and full compliance with Article 3 of the Lisbon Treaty should be a guiding principle of the debate on the post-2020 MFF, ensuring that EU citizens are guaranteed decent living conditions that preserve their well-being, and with Article 311 of the TFEU, in keeping with which '[t]he Union shall provide itself with the means necessary to attain its objectives and carry through its policies'.

1.3. The EESC warns in particular of a crisis of solidarity within the EU that must be faced and overcome. It is unacceptable for some Member States to accept the sound principle of solidarity when 2014-2020 MFF resources are being distributed, but at the same time to reject it when it is a matter of dealing with the refugee and migrant emergency.

1.4. The EU's capacity to respond to current and future challenges will depend on the quality and the scale of its intervention strategies. The debate on the MFF must focus on its adequacy — in terms of both the resources allocated and of the budget structure — for giving the EU the wherewithal to pursue its strategic priorities without increasing the fiscal burden on the public and businesses, i.e. its ability to provide European added value with Europe's citizens sharing the burden equally. This European added value should meet with a broad political consensus in support of EU action that can deliver real benefits for its citizens.

Among the aspects of greatest European added value, the EESC would single out: contributing to the funding of major investments and innovation (European Fund for Strategic Investments); highlighting the potential benefits of migrants and refugees for the economy, the labour market and a dynamic society; carefully monitoring implementation of the 2014-2020 European Structural and Investment Funds (ESIF) cycle; and strengthening the social pillar. A specific instrument could be helpful and indeed necessary in order to tackle youth unemployment, job insecurity and the increasing number of young people who are 'not in education, employment or training' (NEET).

1.4.1. Regarding the quantitative aspect of the MFF review, the EESC agrees with the increase in resources for some areas of expenditure considered to be highly effective, i.e. Horizon 2020, the Connecting Europe Facility (CEF), Erasmus+, COSME (Competitiveness of enterprises and small and medium-sized enterprises) and WiFi4EU, together with the expansion of the European Fund for Strategic Investments (EFSI) and the Youth Employment Initiative (YEI).

1.4.2. The EESC also agrees with the new funds allocated to tackle the migration crisis (European Border and Coast Guard, Europol, the Asylum Agency, the Dublin common asylum system, emergency support within the Union and the entry/exit system) and political and economic instability in the EU and in neighbouring countries (partnership framework, European Fund for Sustainable Development, macro-financial assistance, an external lending mandate for the European Investment Bank and technical adjustment of the cohesion policy envelopes).

1.5. Turning to the qualitative aspect of the MFF review, the EESC agrees with the objective of introducing simpler, more flexible general and sectoral financial rules, and therefore particularly welcomes the streamlining of the administrative requirements applying to beneficiaries of EU resources, as well as of controls, auditing and reporting.

1.5.1. However, the introduction of principles concerning better spending and performance-based budgeting must not unduly serve as a means of cutting spending in sectors or programmes which are less easy to evaluate than others, either because the benefits are visible only in the long term or because they are more difficult to quantify. This could be particularly detrimental to programmes such as Horizon 2020, CEF and COSME.

1.5.2. The EESC supports, firstly, incentives that can promote responsible spending, and secondly, an appropriate and rapid system to monitor objectives in the various sectors in which the EU budget operates.

1.6. Regarding the debate on the post-2020 MFF, the EESC calls for the results of the current budget to be carefully evaluated as of now, not least in the light of the mid-term review, discussing the necessary priorities and changes.

1.7. The EESC considers it would be useful to align the duration of the next MFF with the political cycle of the Commission and Parliament. It agrees with the proposal for a duration of 5 + 5 years with a mandatory mid-term revision for certain items requiring long-term programming (in particular cohesion and rural development policies), and a medium-term duration of 5 years, aligned with the European elections, for all other items.

1.8. The EESC supports the Commission’s efforts to introduce new types of own resources, and the work being carried out by the High Level Group on Own Resources (HLGOR). The proposals to be drawn up by the Commission on the own resources system should however be discussed in 2017, with the due involvement of the EESC, for the preparation of the post-2020 MFF.

1.8.1. Against this backdrop, the EESC points to the need for the EU to equip itself with an independent, transparent and fair own-resources system, winding down the system of national contributions from the Member States but without increasing the tax burden, especially on the most disadvantaged people. The EESC also emphasises the importance of combating tax evasion — including through greater transparency ([1]) — together with all forms of unfair tax competition between the Member States.

1.8.2. The EESC calls on the Commission to estimate at the earliest opportunity the budget loss caused by the United Kingdom leaving the EU.

1.9. The Committee endorses the message that more (and better) Europe is needed — not less ([2]). The crisis in the EU is caused by the lack of a strategic vision of Europe’s future. This crisis may get worse if the post-2020 MFF does not get to grips with its causes, which relate to the democratic deficit, the rule of law deficit and the impact on those social groups and economic sectors that are ‘losing out’ from globalisation. The Union must once again adopt a far-reaching vision for its future if it is to compete with the main global players, and to do this it needs an ambitious MFF that is commensurate with the challenges that await us.

1.10. If the objectives of the MFF are to be duly achieved, the new EU budget should be exemplary, efficient, effective and transparent, so that it gains credibility in the eyes of the European public and serves as a clear illustration of both the advantages of Europe and the costs of ‘non-Europe’.

2. **General comments**

2.1. The package proposed by the European Commission as part of the mid-term revision of the 2014-2020 multiannual financial framework (MFF) includes legislative amendments and the reallocation of EUR 12,8 billion of resources by the end of the period, including the 2017 draft budget, targeting growth and employment, migration and security. More specifically, the review entails:

— on the quantitative side, more resources for programmes deemed to be urgent and more efficient, such as the European Fund for Strategic Investments (EFSI),

— on the qualitative side, simplified general and sectoral rules and greater flexibility in implementing EU funds, applying the BFOR (budget focused on results) approach.

2.2. The EESC has previously argued ([3]) — as it does again in the present opinion — that it understands the balance that the European Commission struck on the MFF in 2013 by mediating between two opposing constraints in a difficult social, economic and political environment. The first was the intention of some Member States to rein in public spending following the economic and financial crisis. The second was the need to effectively and appropriately tackle the arduous challenges facing the EU, stemming from both the Lisbon Treaty and the Europe 2020 strategy.

2.3. The mid-term review of the MFF is now taking place in a setting which has changed in some respects compared to 2013. The EU is still struggling with the consequences — still severe in some Member States — of the financial and economic crisis, particularly for average and low incomes, combined with the lack of an agreed EU-level response to the crisis itself. This has been compounded by new social, political and institutional concerns, including the recent terrorist attacks in Europe.

2.3.1. Firstly, the flow of migrants and refugees towards Europe, fleeing war and poverty in Africa and the Middle East, is increasing, unsettling European public opinion, especially in the Mediterranean and Balkan countries that bear the initial impact, and in the destination countries that must facilitate their integration.

([1]) EESC opinion on public tax transparency (country-by-country reporting) (OJ C 487, 28.12.2016, p. 62).
([2]) ‘… by moving the needle on the subsidiarity gauge towards more and better Europe …’, EESC opinion on ‘Towards an updated study of the cost of non-Europe’ (OJ C 351, 15.11.2012, p. 36).
([3]) EESC opinion on the ‘Proposal for a Council Regulation laying down the multiannual financial framework for the years 2014-2020’ (OJ C 229, 31.7.2012, p. 32).

2.3.2. Secondly, there is widespread scepticism as to the capacity of politics — and this includes Member States and the EU — to maintain economic well-being and social cohesion ([4]), with the consequent calls for greater leeway to be given to national governments, just at a key time when the EU should, on the contrary, position itself as a global player.

2.3.3. Thirdly, the Brexit referendum on the United Kingdom's departure from the EU makes it clear for the first time that the EU is not an irreversible choice that can be taken for granted, as well as raising unprecedented institutional and financial problems for the MFF, given that a Member State is on the verge of leaving the Union.

2.4. In this context of rapid change, the evaluation of the MFF's effectiveness hinges on full compliance with the principles underpinning the EU system, and more specifically Article 3 of the Lisbon Treaty, which sets the objective of ensuring that EU citizens are guaranteed decent living conditions that preserve their well-being ([5]), and Article 311 of the TFEU, in keeping with which '[t]he Union shall provide itself with the means necessary to attain its objectives and carry through its policies'.

2.5. The EU's capacity to respond to current and future challenges will depend on the quality and the scale of its intervention strategies. The aim is to identify the best sectors for expenditure in order to achieve growth and jobs and respond to new challenges, how to maximise the effect of expenditure, how to carry out a rigorous assessment of investment rather than simply going through the motions and, lastly, how to provide information on the European institutions' work against a backdrop of widespread public mistrust ([6]).

2.6. It is now true to say, for these reasons, that while appreciating the efforts made by the Commission in proposing the mid-term review of the 2014-2020 MFF, the framework put forward is far from enough to tackle the EU's challenges and priorities.

3. **Specific comments**

3.1. Turning to the qualitative aspect of the MFF review, the EESC agrees with the objective of introducing simpler, more flexible general and sectoral financial rules, and therefore particularly welcomes the streamlining of the administrative requirements applying to beneficiaries of EU resources, as well as of controls, auditing and reporting.

3.2. However, the introduction of principles concerning better spending and performance-based budgeting must not unduly serve as a means of cutting spending in sectors or programmes which are less easy to evaluate than others, either because the benefits are visible only in the long term or because they are more difficult to quantify. This could be particularly detrimental to programmes such as Horizon 2020, CEF and COSME.

3.2.1. The EESC supports, firstly, incentives that can promote responsible and efficient spending, and secondly, an appropriate and rapid system to monitor objectives in the various sectors in which the EU budget operates.

3.3. By itself, however, this does not seem to be enough to effectively address the growing economic, social and political concerns through a relaunch of growth and employment and through the social pillar. This is all the more true in the absence of additional resources in those sectors where the EU budget offers added value compared to the policies that individual Member States can deliver.

3.4. As pointed out in previous EESC opinions, the challenges that the EU faces make increasing the EU budget not only desirable but also necessary ([7]).

([4]) Only one third of European citizens have confidence in the EU and its institutions. European Commission, *Public opinion in the European Union* — Standard Eurobarometer 85, May 2016, http://ec.europa.eu/COMMFrontOffice/publicopinion/index.cfm/Survey/getSurveyDetail/instruments/STANDARD/surveyKy/2130
([5]) 'The Union's aim is to promote peace, its values and the well-being of its peoples…'.
([6]) Mid-term review/revision of the multiannual financial framework 2014-2020: An EU budget focused on results (SWD(2016) 299 final).
([7]) EESC opinion on the multiannual financial framework for the years 2014-2020 (OJ C 229, 31.7.2012, p. 32).

3.5. Responding to these challenges hinges primarily on strong support and encouragement of public and private investment. The level of investment in 2014 was 15 % lower than in 2007, immediately before the major financial and economic crisis, meaning a reduction of EUR 430 billion compared to the peak level, and some 300 billion compared to the average over recent years. It is worth noting that just five countries (Spain, Italy, Greece, the United Kingdom and France) account for 75 % of this fall ([8]).

3.6. In order to indirectly offset the shortfall in investment, the Commission has proposed and implemented the EFSI which, through the EIB, should mobilise private resources in addition to EU ones. It will be evaluated according to its ability to support additional projects to those that would normally have been financed. Initial analyses however reveal that many EFSI projects display a high level of similarity to others financed in the normal way by the EIB, especially in the more developed regions ([9]). The EESC calls for a narrower focus on projects that are effectively innovative, risky and that cannot otherwise be financed, but can ensure real economic growth and more jobs in the EU.

3.7. The migrant and refugee crisis does not relate only to reception obligations. The resources allocated by the EU can also be used to turn the feared threats to internal security into opportunities, by highlighting the potential benefits for the economy, the labour market and a dynamic society. The EESC — in line with the European Parliament ([10]) — considers that the resources allocated under Headings 3 ('Security and citizenship') and 4 ('Global Europe'), in particular for the refugee crisis and external aid, may prove insufficient in the coming months and years, and therefore calls for the planned spending limits to be revised upwards.

3.7.1. The EESC also warns in this respect of a crisis of solidarity within the EU that must be faced and overcome. It is unacceptable for some Member States to accept the sound principle of solidarity when 2014-2020 MFF resources are being distributed, but at the same time to reject it when it is a matter of dealing with the refugee and migrant emergency.

3.8. The European Structural and Investment Funds (ESIF) are at the core of the Europe 2020 strategy and its objectives, with a budget of EUR 454 billion for the 2014-2020 programming cycle. Representing the EU's main investment tool, they can contribute to economic growth and the creation of quality jobs by means of greater social and territorial cohesion. Implementation of the cycle, which has just been launched, must be carefully monitored by the European institutions in order to ensure that the results agreed between the Commission, the Member States and the regions are achieved. This necessarily entails close involvement of civil society organisations and the social partners, represented by the EESC.

3.9. Youth unemployment (some 20 % of the work force, albeit with significant differences between Member States ([11])), job insecurity and the increasing number of young people who are 'not in education, employment or training' (NEETs, 19 % of the 20-34 age group ([12])) remain at unacceptable levels, which is detrimental to their level of education and to Europe's human capital in general. To address this, the Youth Employment Initiative (YEI) should be boosted with additional resources under the European Social Fund (ESF), raising the spending limits for Heading 1B ('Economic, social and territorial cohesion').

3.10. Lastly, the question of late payments needs to be resolved. The gap that has opened up over recent years between expenditure commitments and payments made to the Member States amounted to almost EUR 25 billion at the end of 2014, and should be in the process of being closed by the end of 2016. The negative effects of spending delays are felt by all beneficiaries of the EU budget, including businesses, research institutes and local authorities. Faced with a budget which is already very restricted compared to European GDP, it is essential to ensure timely payment of commitments made, taking all necessary measures to prevent this situation from dragging on or recurring in the next MFF.

([8]) European Commission and European Investment Bank, *Why does the EU need an investment plan?*, 2015

([9]) G. Claeys; A. Leandro, *Assessing the Juncker Plan after one year*, Bruegel.org, May 2016.

([10]) European Parliament resolution of 6 July 2016 on the preparation of the post-electoral revision of the MFF 2014-2020: Parliament's input ahead of the Commission's proposal (P8_TA-PROV(2016)0309).

([11]) Eurostat, Unemployment statistics (http://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics).

([12]) Eurostat, Statistics on young people neither in employment nor in education or training (http://ec.europa.eu/eurostat/statistics-explained/index.php/Statistics_on_young_people_neither_in_employment_nor_in_education_or_training).

3.11. The EESC therefore agrees with the increase in resources for some areas of expenditure considered to be highly effective: Horizon 2020, CEF Transport, Erasmus+, COSME and Wifi4EU, together with the expansion of the EFSI and YEI.

3.11.1. The EESC also agrees with the new funds allocated to tackle the migration crisis (European Border and Coast Guard, Europol, the Asylum Agency, the Dublin common asylum system, emergency support within the Union and the entry/exit system) and political and economic instability in the EU and neighbouring countries (partnership framework, European Fund for Sustainable Development, macro-financial assistance, an external lending mandate for the EIB and technical adjustment of the cohesion policy envelopes).

4. **The post-2020 multiannual financial framework**

4.1. The European Commission will present a proposal for the post-2020 MFF by 1 January 2018. Regarding the debate on the post-2020 MFF, the EESC calls for the results of the current budget to be carefully evaluated as of now, not least in the light of the mid-term review, discussing the necessary priorities and changes. The aim is for the MFF to be commensurate with the EU's long-term challenges and priorities.

4.2. The crisis in the EU is caused by its lack of a strategic vision of Europe's future. This crisis may get worse if the post-2020 MFF does not get to grips with its causes, which relate to the democratic deficit, the rule of law deficit and the impact on those social groups and economic sectors that are 'losing out' from globalisation. If the EU's fiscal rules have constrained the Member States' ability to act independently — creating uncertainty in the labour market and in the welfare system — they have so far failed to put in place a social safety net for citizens at EU level, let alone a truly innovative, competitive European economic system that can compete with global challenges ([13]).

4.3. It is crucial, then, for the new MFF to devote more attention, as well as fresh resources, to Europe's main strategic priorities, as these hold the key to the very survival of the EU:

— stimulating growth and employment, especially for young people, focusing on the new jobs generated by the development of information and communications technologies (from the 'internet of things' and Industry 4.0 onwards),

— creating sufficient retraining funds to manage the huge changes under way in the economic system and the labour market, triggered by the new technologies, which will facilitate the emergence of new jobs while destroying others,

— remedying the investment deficit stemming from the economic and financial crisis and tackling the continuing effects of the crisis itself, especially for average and low incomes, which have been amplified by the austerity policies applied by the euro area countries,

— environmental sustainability, partly in the wake of the Paris agreements on climate change, with greater use of common agricultural policy (CAP) resources and the need to reallocate workers and occupations hit by the on-going decarbonisation of the economy,

— handling the United Kingdom's exit from the EU in such a way as not to damage the other Member States' economies or Europeans' job prospects,

— external aid for the neighbourhood and developing countries who look to Europe as a benchmark and a global actor.

([13]) P. De Grauwe, *What future for the EU after Brexit?*, CEPS, October 2016.

4.4. Regarding the duration of the MFF, the EESC — in line with the European Parliament ([14]) — advocates aligning it with the political cycle of the Commission and Parliament, so that the debate on EU budget policies is at the heart of the European electoral campaign. It agrees with the proposal for a duration of 5 + 5 years with a mandatory mid-term revision for certain items requiring long-term programming (in particular cohesion and rural development policies), and a medium-term duration of 5 years, aligned with the European elections, for all other items.

4.5. The Commission should urgently draw up a detailed estimate of the effects of Brexit in terms of the impact on the EU's revenue and expenditure ([15]) — also needed for the future proposal for the post-2020 MFF.

4.6. Within the euro area, moreover, an appropriate budget must be capable of responding to the specific problems of the Member States that adopt the euro. As previously argued by the EESC, 'we need to be moving towards an appropriate own budget for the euro area, with jointly agreed rules; this is the only way to take steps towards a common fiscal policy and absorbing any shocks that might occur in the future' ([16]).

4.7. On the revenue side, the new MFF will have to take account of the proposals currently being prepared by the High Level Group on Own Resources (HLGOR) chaired by Mario Monti, whose final report is expected for the end of 2016, together with a legislative proposal on this matter from the Commission.

4.7.1. The EESC attaches particular importance to a new budget in which carefully targeted and sustainable own resources with respect to national contributions, which have the opposite effect of strengthening the mistaken principle of 'fair return'. To this end, the EESC would return to the position expressed in previous opinions ([17]), supporting the European Commission's proposal for own resources, which would be allocated directly to the EU budget without passing through the Member States. Increasing the tax burden, particularly placing a greater load than at present on the most disadvantaged people and on small and medium-sized enterprises, must be avoided under the new system.

4.7.2. A common consolidated corporate tax base (CCCTB) should be established in order to increase tax transparency, help fight tax evasion and enhance job creation, investment and trade in the EU.

4.8. The Committee endorses the message that more (and better) Europe is needed — not less. If the objectives of the MFF are to be duly achieved, the new EU budget should be exemplary, efficient, effective and transparent, so that it gains credibility in the eyes of the European public and serves as a clear illustration of both the advantages of Europe and the costs of 'non-Europe'.

Brussels, 14 December 2016.

The President
of the European Economic and Social Committee
Georges DASSIS

([14]) See footnote 10.

([15]) The Institute for Fiscal Studies has estimated the United Kingdom's average net contribution to the EU budget at around EUR 8 billion. Cf. Institute for Fiscal Studies, 2016, The Budget of the EU: a guide. IFS Briefing Note BN 181. Browne, J., Johnson, P., Phillips, D.

([16]) EESC opinion for the next European legislature on 'Completing EMU — The proposals of the European Economic and Social Committee for the next European legislature' (OJ C 451, 16.12.2014, p. 10).

([17]) EESC opinion on the EU Budget Review (OJ C 248, 25.8.2011, p. 75).