

EU Budget Proposals Pre-briefing: Post 2013 Multiannual financial framework

What does the Multiannual Framework (MFF) consist of at present?

This is the overall budget for the EU, agreed for seven year periods at a time. Annual budgets are fixed within this framework, which amounts to a ceiling on the level of expenditure. Often it is lower in practice and funds are sometimes returned to Member States. The current framework covers the period 2007 – 2013 and amounts to nearly one trillion Euro over this period. The next framework will extend from 2014 to 2020 and needs to be agreed in advance. Decisions are due to be made about the total sums to be made available for the budget, the division between the main categories of expenditure, of which the largest are the CAP, Cohesion Policy (including the regional fund) and Research and Development. In some sectors, including the CAP and Cohesion Policy, most of the funds are allocated to individual countries in advance.

Decisions also need to be made about the ways in which funds are raised for the EU Budget; these are referred to as “own resources”. The difference between national contributions to the EU Budget and national receipts is a matter of great political as well as economic concern for most countries and underlies the position that many governments take on the budget as a whole and on specific topics such as the CAP. This preoccupation with getting the best national deal in terms of net contributions / revenues from the EU Budget is known as the pursuit of the “juste retour”. The UK has negotiated a sizeable national “rebate” to reduce the size of its national net contribution and defends it as far as it can during the decision making process. Some other countries have smaller rebates.

The general expectation is that the Budget for 2014-2020 will be cut slightly as there is strong opposition to growth from a group of member States led by the UK, Germany and France, a powerful combination. However, the outcome is not certain. The European Parliament will have a role too and is set to use its powers to put an upward pressure on the budget. The UK, France and Germany have argued for a freeze in spending over the period, which would amount to a cut in real terms.

Greening the Budget is important for three key reasons:

- EU expenditure is a critical resource for maintaining current environmental standards as well as improving them;
- It unlocks a substantial flow of national and also private sector funds and builds up institutional capacity to address environmental issues throughout Europe;

- It signals that Europe is serious in its commitments to meet climate change and biodiversity objectives, to build a green economy and support the provision of public goods.

What are the key things to look out for in the new proposals?

1. If there is a cut in the Budget, where does it fall?

Pillar 2 of the CAP and LIFE are the most environmentally sensitive parts of the current Budget, particularly for biodiversity, along with elements of the Regional Fund.

2. Does the MFF make a clear reference to halting the loss of biodiversity and ecosystem services and to restore them by 2020?

The EU 2010 biodiversity target was not met, partly because of lack of funding. A reference to biodiversity in the MFF would inject new impetus into the debate.

3. There has been much talk about increasing the focus on climate in the Budget, potentially through a new element of "LIFE" and mainstreaming the theme in the Budget. Are these referred to in the Commission's announcement?

4. Will Cohesion Policy help to redefine the development paradigm, to include more holistic development pathways that capture green infrastructure for example?

The EU budget ought to recognise and provide a response to Europe's changing identity and issues that matter to its citizens.

5. Is there an emphasis on effectiveness and results, including in terms of environment and biodiversity?

Options to support better expenditure include green 'proofing' of funds, stronger Guidelines, earmarking of certain funds, better eligibility rules, stronger monitoring and evaluation, greater transparency. This will emerge only later in detailed rules but have they been flagged as a strategic issue?

6. Is there a proposal to introduce new 'own resources' for the EU budget?

This is controversial. However, a good proposal could help to shift the focus of the negotiations from national shares and correction mechanisms to more fundamental questions about the role of the EU budget in terms of delivering policy priorities. Although politically very difficult to secure, the possibility of own resources should not be dismissed out of hand.

For further information, contact:

David Baldock

Tel 00 44 207 340 2670

Email DBaldock@ieep.eu