

**Comments concerning the MFF 2021 – 2027**  
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1. The concept MFF mirrors the state of the current state of the Union:
  - It is broadly contested due to national different views on priorities and sensitivities
  - Equally due to national reluctance the total amount of funds remains limited to 1,11% of EU GNP
  - It is based, however, on political priorities as agreed in the Declarations of Bratislava and Rome in 2016 and 2017, creating space for expenditure
2. It brings in funding of new priorities in addition to traditional funding, but, although being reduced, the budgets for Regional and Cohesion policy as well as agriculture remain by far the most important areas of expenditure.
3. In its proposed governance it is aiming to respond to the requirements modernisation, more simplification and more flexibility.
4. The Commission could not start from scratch. I believe that given the inconsistencies – more objectives, less money -, the deplorable *Brexit*, and the variations of views between the MS, the Commission could hardly be expected to present revolutionary pioneering new views. Whether one likes it or not, in a unanimity-driven process, national sovereignty remains the leading principle in decision-making. This stops quickly real priority setting with corresponding desirable expenditure.
5. **The first and most important conclusion is that, given the political turmoil and deplorable and artificial limits, the Commission deserves to be praised for the budget proposal. If it is managed well, the budget, however too little, is due to catalyse most urgent investments in very important new areas.**
6. Looking at the new pressing priorities I believe that one has to consider two major elements:
  - Are they based on a European approach where a national policy is by definition unsatisfactory and
  - Is EU investment critical for real added value to European objectives?

7. The answer to these questions is positive. Everybody will agree that the issues of migration, security, terrorism, boosting investment in defence projects, border control and extension of external action, extension of Erasmus-plus for youth, and respect of the Rule of Law are urgent and burning matters. One can add to these brand new priorities also the foreseen financial intensification in areas like the digital society, space, hot issues concerning the Single market, renewable and low-energy projects and decarbonisation. The rigorous assessments carried out, including a spending review of the current EU programmes, look irrefutable.
8. A special positive case in point is the proposed flexibility in the budget within and between programmes as well as between headings and years besides the establishment of a Union Reserve to tackle unforeseen events. These provisions may help significantly in addressing pressing circumstances.
9. It is noteworthy that the budget has the ambition to overcome borders between the various policy areas. This objective was already in place in previous MFFs, but it is deliberately more emphasised in the present proposal.
10. **The MFF as a strategic toolbox can only be really convincing, when Commission and Council focus visibly on the interconnection and mutual benefit of policies and Funds:**
  - **R&D and innovation policies** are directly related connected to the promotion of cross-border actions of **SME's** that is also related to the functioning of the **Single market**.
  - **R&D funding** should be harmoniously pooled with the vast opportunities, created by **EFSI and EIB**.
  - There should be a comparable relationship between **R&D and innovation, universities, and the Erasmus-plus for youth**.
  - Funding of agricultural projects aims equally the promotion of the technological modernisation of the sector across Europe.
  - Cohesion policy should be visibly linked to economic and social modernisation programmes in lagging areas.
  - To be effective, **climate change and the Sustainable development goals** require equally horizontal and holistic approaches.
  - A red thread through the whole financial framework should be the **digitalisation of industry and services (ICT) as well the digital society**.
  - Social objectives like **job creation and promotion of skills** require effective interaction between funds.
11. In the same vein the **MFF** can also **achieve tangible and most needed outcomes in the industrial strategy and policy** the EU is developing in response to the challenges from China and the US.

12. In other words, horizontal themes and objectives must promote interconnection and mutual benefits. They must produce a financial framework as a first-rate policy instrument. In that case it can have a deep political impact and can promote convergence across Europe at a higher level.
13. It is worth noting that, although a separate budget for the EMU is not on the agenda, the Commission rightly presents two proposals in the **EMU** framework, namely **a Reform Support Programme and a European Investment Stabilisation Function**.
14. **Summarising, as a second conclusion I believe that the Commission has presented an appropriate set of interdependent financial proposals that will have the highest added value and deep political impact, if they are managed in a cohesive way across bureaucratic pillars. This is most needed facing the challenges of China and the US.** It is an up-hill fight. We all know how difficult this task is in managing a large bureaucracy. I think that this aspect must be strongly emphasised, when discussing future planning with the Commission and the Council.
15. **The Council and the MS is a separate and most difficult chapter.** It has all to do with the prerogatives of the MS in the **implementation**. The past presents enough deplorable examples. For the moment this aspect is not yet on the agenda. First of all, agreement is needed on the budget; the way in which it will be implemented is a question for the future. Nonetheless, both aspects: the budget itself and the implementation are closely interconnected. The level of the budget is by all means low in a Union of 450 million inhabitants. The most profitable outcome can only be reached, if the national and EU resources as well as the coordination between the EU and national authorities are optimally dovetailed.
16. This has not to do with financial provisions, but primarily with **commitment and effective governance**. Commitment of the MS to the same targets as foreseen by the European Funds. And effective governance between MS and the Commission in the concrete application of the Funds. In that case I agree with President Juncker that the budget, although limited, can as a catalyst have a very high added value. But that means that all MS must commit themselves to an effective and very well coordinated financial management.
17. **Accordingly, a third conclusion is that the discussion on the budget and its various components should not be disconnected from the question how to make it work in practice. Common commitment of MS and effective coordination should also be tabled as a priority with a corresponding political impact in the upcoming discussion on the budget.**

18. A tough subject for political discussion will be the Commission proposal for new *Own resources*: 20% revenues from the Emissions Trading System, a 3% call rate applied to the CCCTB, and a national contribution, linked to non-recycled plastic packaging. Together these revenues would amount to 12% of the budget. The arguments to choose these sources as a common denominator of national and European interests are convincing. Acceptance of this moderate proposal of own initiatives is again a test case to the degree of common commitment of the MS. In my view it would also be desirable, if from civil society and social partners the need for broadening the basis of own resources would be underlined.
19. **A fourth conclusion is the need for agreement with the Commission's proposal for *Own resources*, as a minimum requirement to be developed more extensively in the future.**
20. I would like to make a few comments on **four specific areas**, Cohesion policy, the link with the Semester, the Defence Fund, and the rule of law:
- There is a major controversy between the net contributing and net receiving countries in funding the **Cohesion policy**. However, all will agree on the need of boosting investments and jobs across the EU. Therefore, lagging regions and countries need extra support, but under the explicit condition that cohesion policy relates contributions to measurable improvement of investment, innovation, skills and social inclusion. In other words, cohesion policy should not be considered as set of rights, but should also be based on clearly defined obligations to promote economic and social convergence across the Union that is mutually beneficial and in all our interest.
  - In this respect I see a direct link with **the introduction of the Semester in the MFF**, a new proposal. This can be very helpful. The Semester focuses on improving national governance in all matters of common European interest. I point to two areas. The first is the right implementation of European funding is such common interest. All contributors have a keen interest in a correct supervision of expenditure. Money from Brussels should in no way be a free lunch. The Semester is potentially a very helpful tool to ensure such supervision and to ensure an effective linkage between Cohesion policy and other EU policies, such as innovation and job creation. The second is the link between the budget and desirable reforms. From these perspectives the Semester can be most useful to soften controversies between MS.
  - The **criterion of the Rule of Law**. It is a courageous endeavour. And, as such, also open for wide controversy. The rule of law is a unique selling point for Europe. Moreover, and more down-to-earth, it is also indispensable for predictability

and a stable climate for (cross-border) investment. The problem is that concrete application of the principle of the rule of law is not always as clear-cut as it looks. In my view, however, a European debate on what is understood as *rue of law* can no longer be avoided. In that sense the Commission has rightly tabled the issue in this framework.

- The ***Defence Fund***. For years and years MS have tried to boost common investments in the defence industry. These efforts have been largely fruitless. National interests and intergovernmental approaches have hampered progress. Now a Defence fund is announced in this very thorny field. It starts moderately from today by stepping up funds for integrated defence projects, PESCO, followed by a proposal to increase defence R&D and big-ticket hardware for the next round to €20 billion. The proposal brings finally the Commission into play as a welcome and most needed partner, in addition to a purely intergovernmental framework. It is urgently needed to generate a credible defence policy.

**21. Examples like these give rise to my fifth conclusion that the Commission's proposals open new avenues in important areas. Given the political constraints, they present a politically very rational basis for open discussions and solutions for the very complicated controversies between various categories of MS as they focus purposefully on the common European good and interest which takes simultaneously the diversity in the Union sufficiently into account.**

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