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# The multi-annual financial framework 2021/2027: to be the beacon

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*"World peace cannot be safeguarded without creative efforts proportionate with the dangers that threaten it."* Robert Schuman's statement, which introduced his Declaration of 1950, is still fully relevant today. Robert Schuman sowed the seeds of a Union that was strong both economically and in terms of values. The European project reversed the continent's attraction to fratricidal wars. Its aggregative nature has enabled conviviality, as well as convergence and cohesion between the peoples of Europe over the last few decades. The seeds sown by Robert Schuman have yielded results previously unseen on European soil[1].

## THE UNION AS A PROJECT IN AGGIORNAMENTO

Seventy years after that founding declaration, it can be said with the same certainty that the world, civilisation and humanity need the European Union. Today, as in the past, peace is an objective to be achieved and maintained. Confronted with the nationalist egoisms of the large blocs, the European Union shows that the right path lies in solidarity and sharing. In the face of globalisation, "proudly alone" is not the solution. We will not succeed in achieving, for example, the climate objective - nor security, sustainable and inclusive growth - without a common strategy. That seems easy to understand. It is clear that we can control the external borders more successfully and using less money if we do it together. We can fight terrorism if we share information. We will be able to combat fraud, evasion and tax avoidance - which cost the equivalent of seven European Union budgets each year - if we build tax harmonisation. The European project is currently the best and also the most effective way to meet the challenges of the 21st century.

But the European Union is not just a contemporary project. It is also a project for the future, which is taking shape in the face of new challenges. Extremes and nationalism are on the rise everywhere. In a typically entropic process, knowing that people are afraid of globalisation and digitisation, populists present impossible solutions, a utopian return to the lost past.

This is a pivotal moment for the European Union to show its added value and its *aggiornata*. This is the 25th hour of Robert Schuman's project.

## THE FINANCING OF THE EUROPEAN PROJECT: A SOLUTION OR PARADOX?

Debate over the budget has always been at the centre of the European inter-institutional and intergovernmental discussions. Nevertheless, faced with the new challenges, the Multiannual Financial Framework 2021/2027 (MFF) will be particularly decisive for the survival of Schuman's project and his idea of Europe. The future of Europe is now at stake.

Fair and appropriate funding could be the solution. Europe has everything to be the guide, the beacon, the leader on a global scale. The European Union has good intentions, strategies, proclamations, resolutions and signed agreements. It knows what it has to do: both in terms of expenditure, with a budget that matches European political objectives, and in terms of revenue, with a thorough reform of the European system of own resources.

But, paradoxically, it is not doing so. Who are the guilty parties? The European Heads of State and Government... who are proving themselves unable of agreeing on a common path. They are hiding the advantages and benefits of the European Union. They want to receive as much as possible, but give as little as possible in return.

[1] This article was originally published in "Schuman Report on Europe, the State of the Union 2020," Marie B editions, May 2020.

This is how the populists take advantage of their lack of vision. The paradox is that their progress is possible because we do not have the courage to have this common strategy.

### THE LIGHT OF PARLIAMENT AGAINST NATIONAL SHADOWS

The European Parliament has been waiting - patiently - for the Council since November 2018, when a mandate for the negotiation of the multiannual financial framework was set. With a large majority, Parliament called for a budget corresponding to 1.3% of the Union's GNI to implement EU policies over the next decade. Nothing extraordinary! The methodology is simple and logical: we add up the amount for each policy and programme. It is a bottom-up approach, taking into account the objectives to be achieved, the proclamations of all the institutions, the commitments made, and the agreements signed, in particular the Paris Agreement. It is therefore the only possible proposal for financing the Commission's programmes. It is a realistic proposal. We must tell the truth to the citizens and, above all, we must not betray them.

In the Council, all of the Member States' representatives know that their countries receive more from the internal market than their contribution in absolute terms. Nevertheless, many European leaders have described Parliament's proposal as unrealistic. Why are the Heads of State and Government hiding this truth from their citizens? This is one of Europe's problems: we make commitments, proclamations and expectations. Where are the necessary resources then? Where are the means to triple the funding for the Erasmus + programme? Where is the money to have 3% of the GNI for research? Where is the money for the Green Deal? Is Parliament's proposal unrealistic? Not at all! What is unrealistic are the Council's proposals, which include hard (clear) cuts in the level of expenditure and a refusal to develop and simplify the own resources system.

The cost of non-Europe is very obvious. What is the cost of not having a common European policy on migration and defence? How much does the lack of investment in research cost? What is the cost, in terms of social dumping, of inequalities between States and between regions? There is worse than the cacophony in the Council: it is the lack

of responsibility, the lack of coherence and the lack of a common strategy.

Why this distinction between net contributors and net beneficiaries? Who does it benefit? The Council cannot be the place for the sum of the 27 national egoisms. Moreover, the lack of realism in Europe reflects the lack of realism of the European Commission. The Commission's proposal is neither sufficient nor consistent with its programme. It calls for a geopolitical Europe. Bravo! But a geopolitical Europe is inconceivable with 1.1% of GNI. The Council and the Commission tell us that they can "give us" the flexibility and the increase in capital of the EIB. Thank you! This is very important. But it is obvious that this is not a substitute for financial amounts. They must exist independently of the level of the budget. We have to be serious about this and tell the truth: with the Commission's proposal we will fail.

Furthermore, the lack of unity in the Council - which does not yet have a mandate - is discouraging. The European Council of 20 February failed miserably. The proposal that was on the table, 1.07% of GNI, was very bad. There is nothing to regret.

### BREXIT: MORE AN EXAMPLE THAN AN EXCUSE FOR THE 2021/2027 BUDGET

The 2014-2020 multiannual financial framework was lower than the previous one (2007-2013) because of the United Kingdom. The blackmail of the Union by the then Prime Minister David Cameron, which began in 2014, continued into February 2016, when the European Union granted the United Kingdom an agreement with special privileges vis-à-vis the other Member States (opt-out, Westminster red card, etc.). The results of the European policy of concessions to the British were tragic for David Cameron and for all European citizens. It was apparently to keep the British calm and to keep them in the Union. The exact opposite effect was achieved. Where is David Cameron? Where is the United Kingdom?

In the on-going negotiations, the excuse of a shrinking budget is still blamed on the UK, which will leave a "hole" of about €60 billion when it leaves the European Union. Again and again the United Kingdom. You cut the budget when

the British are in the EU and you cut it when they are out. When a Head of State or Government complains about the Union, when he says he is paying too much for the Union, he gives arguments to the nationalists. It is a gift to them. Moreover, it is not true to say that countries are paying too much, and the British are now beginning to discover this. David Cameron resigned but was replaced by "little Camerons". The Heads of State and government agree with the idea that Europe is synonymous with spending, with burdens that conceal far greater benefits. Understandably then, the citizens are against the European Union! All of the Union's administrative and operating expenditure together accounts for less than 7% of the budget. There is no budget of any institution, company or local authority with such a performance. More than 93% of the Union's budget is invested and more than 80% goes back to the Member States. This is a budget with enormous added value. But no one ever talks about this.

#### **REGARDING THE REVENUES OF THE UPCOMING BUDGETARY FRAMEWORK**

The reform of the European own resources system is imperative and urgent. It is not a symbolic issue, but one that is profound - a step in the right direction. At present, more than 80% of the Union's budget is financed by national budgets. Each Member State makes a contribution based on GNI and VAT. Customs duties account for around 15%. In truth, this is the only real own resource. Afterwards, there are adjustments, compensations, and rebates on rebates. It is opaque and unreadable. This kind of funding leads to the logic of fair return: "I want my money back".

Every finance minister looks at what he gives and what he receives. This is the mistaken logic of net contributors versus net recipients. Germany and France are responsible for about 21% and 17% of the budget respectively. Maintaining this situation reinforces the already enormous power of these two leading European countries. Whoever pays for dinner has the right to choose the restaurant and... the menu.

#### **IDEAS FOR THE REFORM OF THE OWN RESOURCES SYSTEM**

The European Union will have to reach a new and broader

agreement regarding the system to finance the budget. It is our obligation to demand greater transparency, legibility, fairness, justice and more revenue without penalising the citizens. We also need new own resources, which are also a solution to achieving a budget of reasonable scale.

We all agree with the principle that those who do not pay, despite the benefits of the internal market, must contribute. The big digital companies, especially the GAFAMs (Google, Amazon, Facebook, Apple, Microsoft), must pay. A Financial Transaction Tax and the Border Carbon Adjustment Mechanism are needed to raise revenue and contribute to fair competition. The contribution related to unrecycled plastics and a levy on carbon market revenues are incomes, which might also change behaviour for a better environment and to combat climate change.

The revenue from fines is clearly European revenue. Apparently, it is also revenue that goes into the budget. In reality, it goes into the budget and almost immediately out of it and into the pocket of each Member State! What is more, the Member States pay themselves very dearly with customs duties, which are levied at the rate of 20%. This is too much. Parliament is proposing 10%.

Reform is essential but difficult. The European Parliament is the only parliament in the world that has no power over revenue. That is why the link is being made between the multiannual financial framework and own revenue. To be adopted, the budget requires unanimity in the Council and Parliament's consent by an absolute majority. Own resources require unanimity in the Council and ratification by all national parliaments. To be involved, the European Parliament has decided that consent for the multiannual financial framework may be given if - and only if - progress is made in the own resources system, which implies, among other things, new resources.

#### **PARLIAMENT'S RESPONSE**

According to Article 312 of the Treaty, the multiannual financial framework is established for a period of at least five years. It gives predictability, inter-institutional peace, but it lacks flexibility. When we adopt it, we want to implement a strategy. The current framework followed the Europe 2020 strategy. The challenges, priorities and objectives

were clearly identified. The framework under discussion for 2021-2027 does not have a clear strategy. The Green Deal is part of it, but it cannot be the whole strategy. We are in the process of following a "Europe 2020+" strategy, and we are maintaining this, we are strengthening the climate, we are adapting migration, we are adding defence.

Building a good budgetary framework is not very difficult. The questions are simple: what kind of Europe do we want in 2027? What are the objectives to be achieved? What are the programmes and policies and the financial amounts to achieve these objectives?

The European Parliament wants citizens, businesses, especially SMEs, young people, farmers and local authorities to continue to benefit from the European budget, even without a budget agreement. We cannot stop, for example, Erasmus or research. We have a solution: a contingency plan via the extension of the programmes' legal bases beyond 31 December 2020. That is what responsibility and precaution demand. We have made the proposal to the Commission and the Council. Incredibly, they are not in favour of it. If there were to be delays, it would surely not be Parliament's fault.

This example, among many others, shows that without courageous leaders, we will collapse. Furthermore, I repeat - Europe knows what it has to do. Climate change, demography, migration, globalisation, security, digitalisation, scarcity of natural resources, defence, energy and food sovereignty are challenges that can be overcome if we have a real Union. Together we can succeed. Europe continues to be the best place to live. We must strengthen our competitiveness, fight inequalities, promote internal and external solidarity and be able to export our values. In a word, to be the beacon.

#### COVID-19 AND THE EUROPEAN DECISIONS

Everything I've written so far was before the Covid-19 crisis. But we did not need a crystal ball to know that solidarity, sharing, coordination are the only indispensable means for Europe to overcome common challenges.

Indeed Covid-19 brought our inconsistencies to light. We must learn the lessons of the crisis. We cannot afford to

depend on other countries in critical situations. We must be able to produce the necessary drugs and medical equipment. Likewise, we must have the means to save human lives. No Member State, no person must be left behind. At European level, there must, at the very least, be more coordination in the field of health and civil protection. With regard to research, there must at least be European cooperation. There is an urgent need for the production of an effective vaccine or medicines to be produced without delay.

We are all united in the same principle. This pandemic is a symmetrical shock with asymmetrical effects without moral risks, faults or culpability. In order to respond to this economic crisis, we need a European solution that can give concrete expression to Robert Schuman's solidarity.

The Commission and Parliament acted quickly and effectively. As usual, the problem has been with the Council. The decisions on the flexibility of the Cohesion Funds, the possibility of State aid, the creation of funding lines to help businesses maintain jobs - SURE (Support to mitigate Unemployment Risks in an Emergency) - with €100 billion, have proved positive. The ECB is playing its role in a very proactive way. The Council takes time. Too much time. Fortunately, Angela Merkel and Emmanuel Macron have suggested a proposal for the creation of a recovery fund.

The European Parliament asked for it, Germany and France accepted it, the European Commission proposed it. The proposal is innovative and was unthinkable a few months ago. It means solidarity and risk sharing. It is Robert Schuman's solidarity.

The €750 billion fund aims to help Member States cope with the damage and emerge stronger from the crisis, to boost the economy and support private investment, to strengthen health and civil protection. However, the fight against climate change, the digital and the social pillar should guide investment. The size of the Fund results from a loan based on guarantees from the European Union budget. There is no other possibility. At the moment there is no possibility for Member States to disburse more money. The novelty of this fund is that EUR 500 billion will be "transformed" into grants that will strengthen existing or new programmes and funds. The remaining €250 billion

will be lent to Member States on a voluntary basis, being counted as part of their public debt. In this case, there is nothing new in the solution: this is how the European Financial Stabilisation Mechanism, created in 2010 with guarantees from the EU budget, the headroom, works, and has lent money to Portugal, Greece and Ireland.

The Fund is of an exceptional nature and will remain in force until 2024. There is now a broad consensus in the Council regarding the Recovery Bonds. What was impossible has happened. But make no mistake: it is thanks to the fear of the disintegration of the euro area and the need for a rapid restoration of the internal market. All Member States are beneficiaries of the European Union. The 'frugal' countries - the Netherlands, Sweden, Austria and Denmark - are among those that benefit most from the internal market. The consumption and purchasing power of the citizens of the other States has a great influence on their exports.

The Commission's proposal in relation to the Recovery Fund and the Multiannual Financial Framework (MFF) is intelligent and "astute". It has worked a miracle: Member States will pay less and receive more!

The Commission's new proposal for the financial framework 2021/2027 is lower than the May 2018 proposal (- €34.6 billion). However, the multiannual financial framework and the Recovery Fund, taken together, exceed this proposal (+ €715.4 billion). The EU budget will pay for the grant loan. Interest will be paid now, but amortisation will only be paid after 2028 and may extend to 2058. For the period 2021/2027, €17.4 billion is sufficient for interest. A new own resource, such as the tax on plastics, is sufficient. But after 2028 we will need new own resources to finance

the budget. Otherwise, national contributions will have to increase, failing which, from 2028 onwards; we will have a reduced budget and cuts - particularly in cohesion policy and the CAP. New own resources are therefore the solution.

The Commission has disclosed the distribution key for the Fund. Now that the figures are public, no Member State will agree to receive less.

The European Parliament wants to improve the proposal for the Recovery Fund and the Multiannual Financial Framework 2021/2027. Firstly, it is unacceptable that Parliament not be involved in the design and control of this fund. It is a lot of European money that must be used well. The legal basis employed is Article 122, which reduces Parliament's role. In addition, it is necessary to have a credible plan for the payment of interest and depreciation that does not reduce the next financial framework. Therefore, the introduction of new own resources is necessary. We cannot penalise future generations. Furthermore, the proposal for the multiannual financial framework 2021-2107 must be increased, particularly with regard to programmes such as Erasmus +.

The President of the Commission, Ursula von der Leyen, has been courageous and competent. The European Parliament maintains an ambitious and united position. We hope that all Heads of State and Government will rise to this challenge. It is our common future, our strategic autonomy and even our values that are at stake. We cannot fail!

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