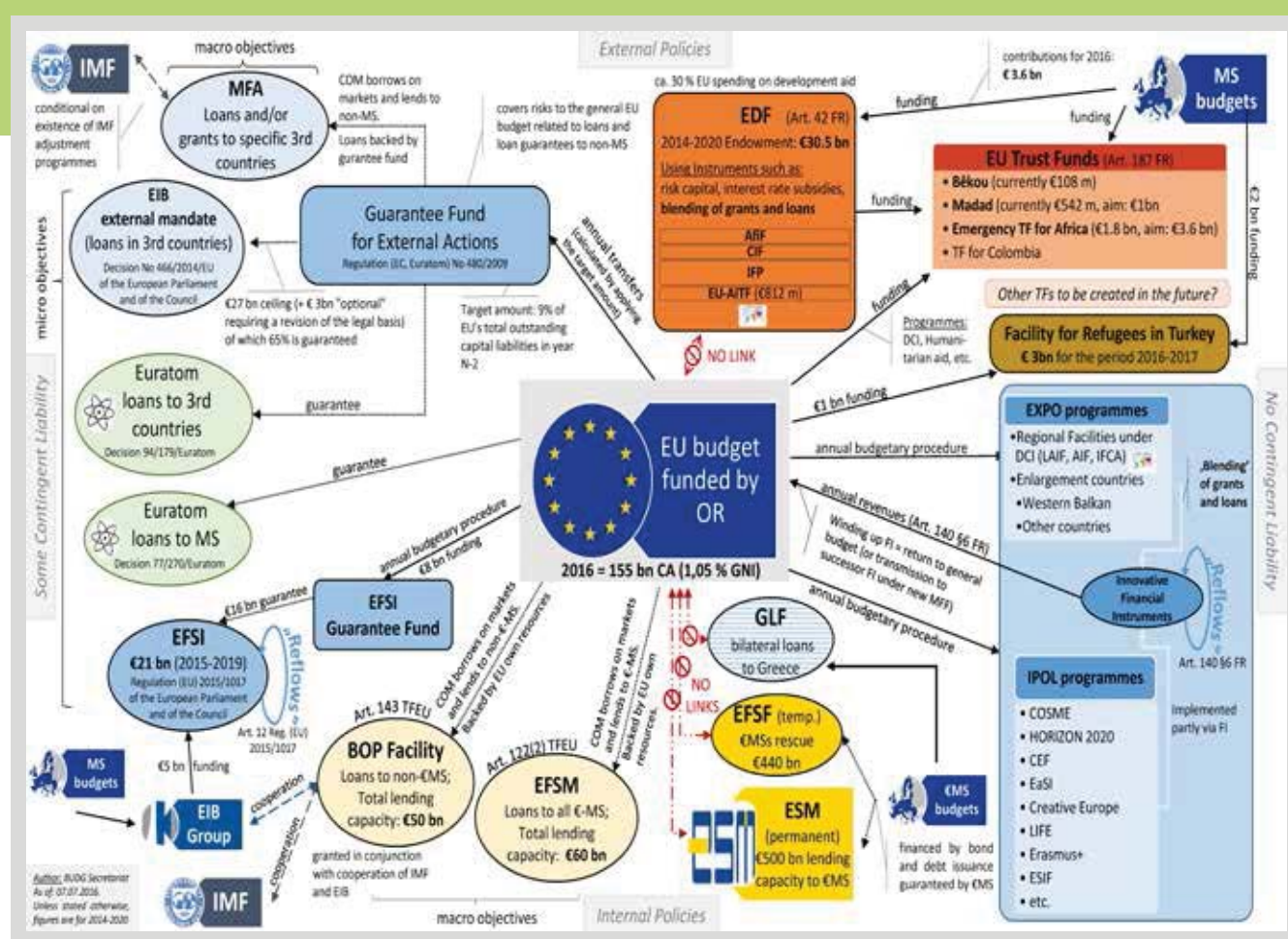


THE GALAXY OF FUNDS AND INSTRUMENTS AROUND THE EU BUDGET



DATE
25 January 2017

TIME
15:00-18:30

ROOM
**JÓZSEF ANTALL
BUILDING
6Q2**

Committee on Budgets

CHAIR:
Jean ARTHUIS

RAPPORTEUR:
José Manuel FERNANDES

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WORKSHOP PROGRAMME

WORKSHOP ON

**THE GALAXY OF FUNDS AND
INSTRUMENTS AROUND THE EU BUDGET**

*Organised by the Policy Department D on Budgetary Affairs
for the Committee on Budgets*

Chair: Mr Jean Arthuis

Rapporteur: MEP José Manuel Fernandes

Wednesday, 25 January 2017, 15:00 - 18:30

European Parliament, Brussels

József Antall Building, Room JAN 6Q2

PROGRAMME

15:00 - 15:05 Welcome and introduction

15:00 - 15:05

Mr Jean Arthuis MEP

Chair of the Committee on Budgets

15:05 - 16:05 Part I: How the EU budget has developed and changed in the past 10 years

Key note Speaker:

Dr. Giacomo Benedetto, Senior Lecturer in Politics, Department of Politics and International Relations, European Studies Centre, Royal Holloway University of London

- The evolution of budgetary powers over the last ten years, in theory and practice,
- The structure of the budget (own resources, MFF, commitments and payments, annual budget, division of expenditure),
- The changes of the Lisbon Treaty,
- The effect of the Euro crisis on the EU budget,
- The effect of the EFSF, EFSM, and ESM on the budget.

* * *

Open Discussion

* * *

16:05 - 16:30 Part II: The budgetary tools for financing the EU external policies

Speakers: Sebastian Paulo and Elsa Perreau, authors of the briefing from the consultancy Blomeyer & Sanz

First Briefing “The budgetary tools for financing the EU external policies”:

- loans and grants covered by the Guarantee Fund for External Actions,
- the EDF,
- the EU external Trust Funds,
- the Facility for Refugees in Turkey,
- Blending of grants and loans under the external policies programmes (regional and DCI facilities),
- An assessment of the newly proposed EFSD as part of the broader External Investment Plan and of the changes to the budgetary architecture it is entailing.

* * *

Open Discussion

* * *

16:30 - 17:30 Part III: The EFSI as a new type of a budgetary instrument The instruments providing financial support to EU Member States

Speakers: Dr. Daniel Gros, Director, Centre for European Policy Studies (CEPS); Dr. Jorge Nunez Ferrer, Senior Research Fellow (CEPS); Dr. Cinzia Alcidi, Senior Research Fellow (CEPS) and Dr. David Rinaldi, Research Fellow (CEPS)

Second Briefing “The EFSI as a new type of a budgetary instrument”:

- The EFSI scheme against the background of the financial instruments under internal policies programmes,
- Does the principle of additionality effectively prevent crowding out and/or duplicating the activities?
- How do new forms of budgetary instruments (based on loans/guarantees/equity quasi-equity) compare from the point of view of transparency, accountability and democratic control, with more traditional grant based budgetary instruments?

Third Briefing “The instruments providing financial support to EU Member States”:

- the instruments guaranteed by the EU budget (BOP, EFSM)
- the instruments constituted outside the EU Budget (GLF, EFSF and ESM)

* * *

Open Discussion

* * *

17:30 - 18:20 Part IV: Perspectives for the Future

Open discussion

with input by former Chairs of the Budget Committee

- Reimer Böge,
- Alain Lamassoure,
- Janusz Lewandowski,

and by former Members

- Ivailo Kalfin,
- Jan Mulder (tbc),

and by academic experts on Budgetary Affairs

- Cinzia Alcidi, Senior Research Fellow at CEPS, Brussels
- Giacomo Benedetto, Jean Monnet Chair in European Union Budget Policy, London
- Alfredo De Feo, Fellow at European University Institute, Florence
- Jorge Nunez Ferrer, Senior Research Fellow at CEPS, Brussels
- Daniel Gros, Director at CEPS, Brussels
- Sebastian Paulo, Research Consultant at Blomeyer & Sanz
- Elsa Perreau, Junior researcher at Blomeyer & Sanz
- David Rinaldi, Research Fellow at CEPS, Brussels.

18:20 - 18:30 Concluding remarks by the Chair

* * *

Followed by a reception of Chair Arthuis in the meeting room

* * *

BIOGRAPHIES OF SPEAKERS



Dr. Giacomo BENEDETTO

***Senior Lecturer in Politics, Department of Politics
and International Relations, European Studies
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Giacomo Benedetto holds the Jean Monnet Chair in EU Budget Policy at Royal Holloway, University of London, where he directs the European Studies programme and teaches units on the politics, institutions, budgets, public policy and foreign policy of the European Union. Previously he held a lectureship at the University of Manchester and he gained a PhD on the European Parliament from the London School of Economics. He is co-editor of *European Union Budget Reform* (Palgrave 2012) and associate editor of the peer-reviewed *European Journal of Government and Economics*. He has published research on the EU budget, the European Parliament, the British Parliament, and Euroscepticism in international peer-reviewed journals. He has also provided input to the European Commission's Budget Focused on Results programme and he is a co-author of a study on the Potential and Limitations of Reforming the Financing of the EU Budget prepared for the EU's High Level Group on Own Resources.



Mr Sebastian PAULO
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Sebastian Paulo has seven years of experience as a researcher in international think tanks. He has contributed to several reports commissioned by governments, EU institutions and international organisations. He has produced advisory studies and given presentations for clients such as the German Federal Ministry for Economic Cooperation and Development. At the OECD and the German Development Institute, he has published on a broad range of development policy issues. He is a course instructor for EU external relations and a graduate of the College of Europe. His comprehensive understanding of EU external action is also informed by his practical experience of working with the EU during an assignment at EU Institute for Security Studies and an internship at the EU Delegation to India. Mr Paulo supports Blomeyer & Sanz as an independent expert.



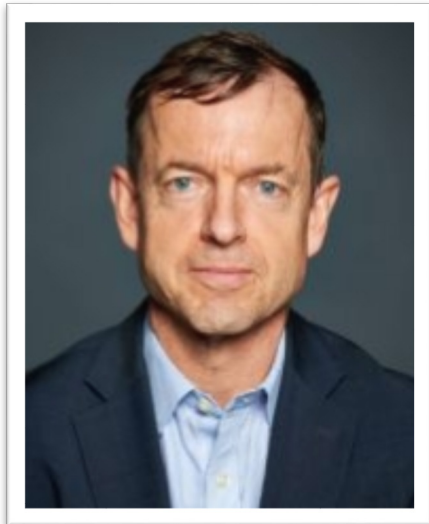
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Elsa Perreau recently graduated from the Paris School of International Affairs with a master's in international public management with a special focus on European studies and human rights. She also holds a BA in political sciences from Sciences Po Paris. She contributed to several evaluation and research assignments for European institutions and non-governmental organisations, such as evaluations assignments for the Club de Madrid on the organisation's activities in Haiti, and for the Geneva Centre for the Democratic Control of Armed Forces on development assistance in North Africa. Elsa Perreau also contributed to studies for the European Parliament, such as a study for the Budgetary Control Committee on Democratic accountability and budgetary control of non-governmental organisations financed from the EU budget, Committee on Budgetary Control, a study on expenditure, management and control of preaccession funding in Turkey, and a study for the Committee on Regional Development on the use of Simplified Cost Options in France. Before joining Blomeyer & Sanz, she gathered experience at the delegation of the European Union for the Pacific in Fiji, focusing on human rights in Pacific countries and monitoring the evolution of the political situation during the elections in Fiji.



Dr. Daniel GROS, Director
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Daniel Gros has been the Director of CEPS since 2000. Among other current activities, he serves as adviser to the European Parliament and is a member of the Advisory Scientific Committee of the European Systemic Risk Board (ESRB) and the Euro 50 Group of eminent economists. He has held past positions at the IMF and the European Commission, and served as advisor to several governments, including the UK and the US at the highest level. He is editor of *Economie Internationale* and *International Finance*.

He holds a PhD. in economics from the University of Chicago and is the author of several books and numerous articles in scientific journals. His main areas of expertise are the European Monetary Union, macroeconomic policy, economics of transition to a market economy, public finance, banking and financial markets.



Dr. Jorge NUNEZ FERRER

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Jorge N  ez Ferrer is Senior Research Fellow at CEPS and visiting lecturer at the Central European University in Budapest. He is a specialist on the EU budget and financial instruments, having worked on EU financial issues as a Commission official and as a consultant to various Member States and EU institutions.

He has recently acted as project leader for the preparation of the independent background report on EU Own Resources for the High Level Group led by Mario Monti. He also coordinates Framework Programmes on the EU budget for the Parliament and the Committee of the Regions. Next to this, he also works on issues related to energy policy, innovation and Smart Cities.

Jorge holds a PhD from Imperial College of the University of London.



Dr. Cinzia ALCIDI

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Cinzia is Senior Fellow at CEPS, where she leads the Economic Policy Unit. Prior to joining CEPS, she worked at International Labour Office in Geneva and she taught International Economics at University of Perugia (Italy). Her research interests include international macroeconomics, economic policy and EU governance. Since 2015, she is the coordinator of CEPS Academy Activities.

She has experience in coordinating research projects and networks. She has published extensively on the economics and governance of the euro area crisis and participates regularly in international conferences.

She holds a Ph.D. degree in International Economics from the Graduate Institute of International and Development Studies, Geneva (Switzerland).



Dr. David RINALDI

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David joined CEPS in May 2016 to work as research fellow on EU budgetary and investment policy. Before joining CEPS, David was research fellow at the Jacques Delors Institute in Paris and consultant on public finances at the Council of Europe, Social Cohesion Division, in Strasbourg.

He was teaching assistant at Bocconi University, academic assistant at the College of Europe, European Economic Studies Department, and currently teaches EU Economic Governance at the ULB, Institute for European Studies.

David holds a PhD in Economics from the DEFAP Graduate School in Public Economics in Milan and carried out study visits at the University of Nottingham, Bocconi University and University of Zaragoza. BA and MSc in Economic and Social Sciences from the University of Florence and internships at the Permanent Mission of Italy to the UN in New York and at the UN - Economic Commission for Africa in Addis Ababa complement his education.

PRESENTATIONS

First intervention:

Presentation by Dr. Giacomo BENEDETTO

Keynote: How the EU budget has developed and changed in the past 10 years

Giacomo Benedetto
Jean Monnet Chair
Royal Holloway
University of London



Workshop on "The galaxy of funds and instruments around the EU budget",
European Parliament,
25 January 2017

Own Resources and Rebates

- In 2015, €146 bn, while budget was €145bn
- Tariffs, VAT and GNI based income
- Rebates:
 - UK 66% of value of net contribution with exclusions
 - Rebate on the UK rebate DE, NL, AT, SE 75% reduction
 - Lump sums for 2014-2020: DK €130M, NL €695M, SE €185M, annual; AT €60M single amount
 - VAT call rate reduced for DE, NL, SE
- Net balance effect
- High Level Group Report

Financial Perspectives, pre-2007

- Agreed by Commission, unanimous Council and EP, national ratification to guarantee spending
- Non-renewal => roll-over but any one institution (EP, Council, Commission) could cancel => return to pre-1988 arrangements
- Become Multiannual Financial Framework (TFEU art. 312)

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How the EU budget has developed and changed in the past 10 years

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Multiannual Financial Framework, post-2013

- Sequence: EP can co-propose with Commission
- Council continues to decide unanimously
- no more national ratification
- Removes right of EP, or Commission, or Council to terminate on expiry
- Constitutionalised => more difficult to change

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How the EU budget has developed and changed in the past 10 years

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MFF (prices of 2011)

	2007-2013	Commission proposal 2014-2020	Agreed figures 2014-2020
1a. Competitiveness	9%	15%	13%
1b. Cohesion	36%	33%	34%
2. Fish, Env, RuralDev	9%	10%	10%
Agriculture	34%	28%	29%
3. Security/Justice	1%	2%	2%
4. Global Europe	6%	7%	6%
5. Administration	6%	6%	6%
Payments	1.00% GNI	1.00% GNI	0.95% GNI
Payments	€ 972 bn	€972 bn	€908 bn

5

Commitments and Payments

- Commitments: “virtual money”
- Payments (“real money”) when commitments are honoured, n+0 to n+3
– *Reste à liquider* (RAL)
- Differentiated payments (need of co-funding)
- Non-differentiated payments (agriculture, administration)
- Pre-allocation (cohesion, agriculture)
- Non-pre-allocation

Annual Budget, pre-2010

- Within limits of Financial Perspectives and Own Resources
- Ceiling increased by Council
- EP and 93/352 votes on Council could reduce compulsory expenditure (though payments are legally required)
- Council and EP could overrule each other respectively on compulsory and non-compulsory expenditure
- EP could reject by 2/3 majority
- Council or Parliament rejection? => provisional twelfths
 - Council set these for compulsory expenditure
 - EP set these for non-compulsory expenditure

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How the EU budget has developed and
changed in the past 10 years

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Annual Budget, post-2010

- Within limits of MFF and Own Resources
- Ceiling increased only through Council unanimity
- EP single reading only; no more compulsory and non-compulsory expenditure
- EP amends by 376 MEPs
- Conciliation if Council and EP disagree
- Mutual rejection if either Council or EP do not agree at conciliation
- EP can re-impose amendments if Council changes its mind after conciliation => conciliation is final stage for Council
- Provisional twelfths
 - Council sets spending
 - Parliament may only freeze or reduce spending

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How the EU budget has developed and
changed in the past 10 years

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Annual Budget, powers

- Rejection easier, either 15 MEPs on conciliation committee or 4 Member States with 179M population
- Parliament can no longer impose preferences on what used to be non-compulsory expenditure
- Parliament loses incentive to reject due to loss of power to protect non-compulsory expenditure in provisional twelfths
- Parliament gains power to reduce or freeze all provisional twelfths
- Whoever wants less spending will win

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How the EU budget has developed and changed in the past 10 years

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Annual Budget, figures

- Figures, 2007-2016:
<http://www.tandfonline.com/doi/suppl/10.1080/13501763.2016.1154589?scroll=top>
- Distance of average preferences of Council and EP on payments
 - 2007-2010: 6.14%
 - 2011-2016: 3.11%
- Preferences on commitments much closer
- Spending has continued to rise by inflation except for the MFF agreed for 2014-2020; Council has usually wanted modest increases
- If the Council wants a reduction, it can secure it
 - 2011, agreed and amended budgets, payments and commitments chosen by the Council
 - After 2011, Council “wins” lower spending in agreed payments only
 - After 2011, commitments close to Parliament’s preferences and amending budgets increase payments

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How the EU budget has developed and changed in the past 10 years

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Effect of the euro crisis

- Austerity discourse affects budgets 2011 onward, and new MFF in 2013
- Recession challenges GNI base in own resources
- MFF reduced by 5% in 2013
- Annual budgets not reduced but frozen or increased below ceilings, ex 2014
- EU budget guarantees EFSM max. €60bn exposed to default in Ireland or Portugal
 - Euro area national treasuries exposed to EFSF and ESM default

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How the EU budget has developed and changed in the past 10 years

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The EU's budget and the EFSM, EFSF and ESM

- EFSM established 2010; EU budget guarantees €60bn
 - Activate: Commission+ECB then qualified majority in Council
 - Finance to Ireland, Portugal until 2013, Greece for one month in 2015
- EFSF, Euro area national treasuries guarantee €440bn. No new loans since 2013
- EFSF replaced by ESM 2013, national treasury guarantees: €705bn

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How the EU budget has developed and changed in the past 10 years

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Second intervention:

**Presentation by
Sebastian Paulo and Elsa Perreau
Blomeyer & Sanz**



The budgetary tools for financing the EU external policies

Sebastian Paulo & Elsa Perreau, 25 January 2017

1

Contents

- (1) Introduction
- (2) Overview of the set-up of EU external funding
- (3) Added-value of different elements
- (4) Coherence and coordination
- (5) Flexibility and simplification
- (6) Democratic oversight and budgetary scrutiny
- (7) Recommendations

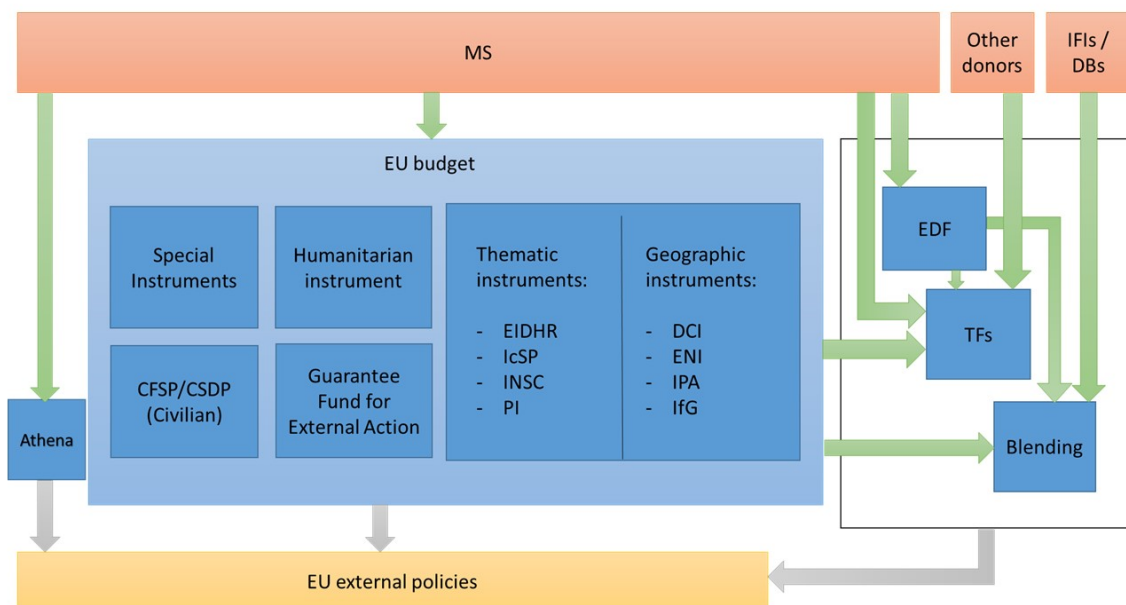
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(1) Introduction

- The architecture for financing EU external policies has become more complex
- The EU has created new tools and mechanisms
- New changes are proposed in the MFF mid-term review and the revision of the Financial Regulation
- How does this set-up perform?
- What next?

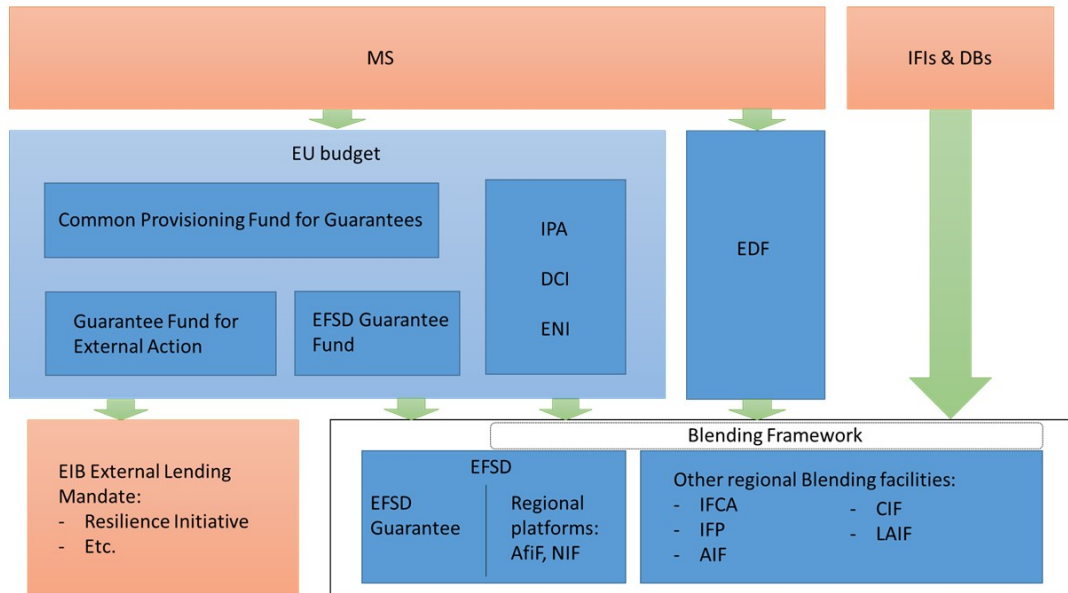
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(2) The architecture for financing EU external policies



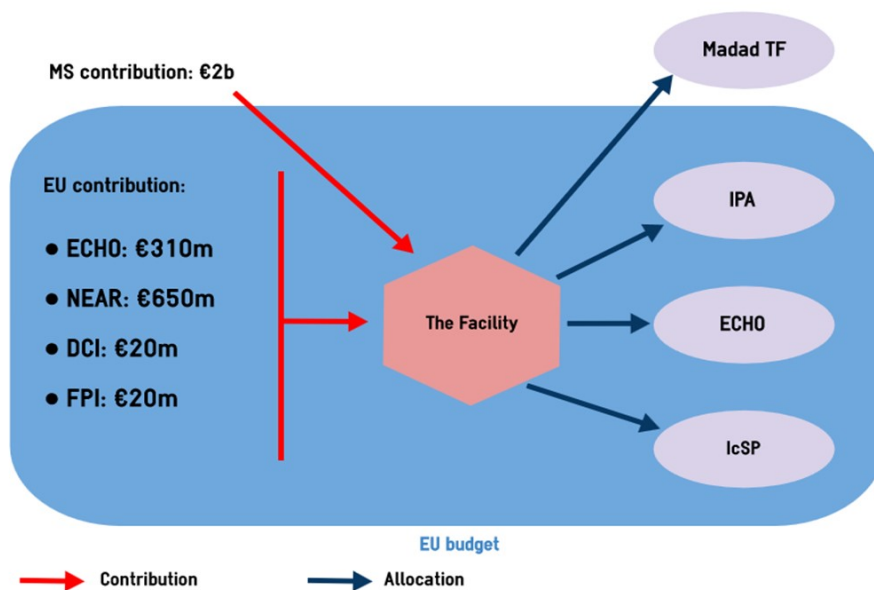
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(2) The new EU framework for external investment (according to the current proposal)



5

(2) The Facility: a coordination mechanism operating within the EU budget



6

(3) Added-value of different elements

- EDF's added value outside the budget is diminishing, but uncertainties about budgetisation remain.
- Increased flexibility and rapid disbursement of funds (TFs)
- Coordination (TFs and Facility but too early to assess)
- Additional resources (TFs, blending facilities)
- The EFSD would provide a single entry point to different types of EU investment support

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(4) Coherence and coordination

- The downside of a more diversified toolbox: increased complexity and risk of fragmentation.
- No evidence of duplication but overlaps not impossible
- Mid-term review of the MFF, revision of the FR and the preparation of the next MFF = opportunity for a stronger strategic orientation
- As a framework for EU external investment support the EFSD can increase coherence

8

(5) Flexibility and simplification

- Flexibility and simplification necessary in the EU's external funding. EU needs capacity to react fast to emerging crises.
- Proposals for more flexibility in the budget
- The EFSD facilitates flexible combination of different types of investment support
- Rapidity and flexibility of new tools and mechanisms also come with risks: diversion of funding, short-cutting stakeholder consultations... Need to balance short-term political priorities vs long-term development goals

9

(6) Democratic oversight and budgetary scrutiny

- The shifting and complex landscape of EU external funding makes democratic oversight and budgetary scrutiny more challenging.
- More flexibility in the budget limits informal EP involvement (e.g. in programming)
- EDF budgetisation would improve democratic oversight.
- The role of the EP is generally limited with regard to the new tools and mechanisms.

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(7) Recommendations

- Consolidate EU's ability to flexibly respond to new challenges as part of long-term strategy.
- Use next MFF as opportunity to review EU financing instruments in the budget.
- Bring debate on EDF budgetisation to a conclusion.
- Agree on right balance between flexibility and long-term predictability.

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(7) Recommendations

- Assess new tools and mechanisms and build stronger evidence base.
- Strengthen EP's ability to oversee blending activities.
- Review scope for re-organisation of blending facilities.
- Provide long-term vision for the European Fund for Sustainable Development.

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Thank you

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