Financing the European Union

SUMMARY

Responding to requests for a common recovery plan to complement national efforts to tackle the impact of the coronavirus pandemic, substantial new EU financial instruments have been rapidly introduced such as temporary support to mitigate unemployment risks in an emergency (SURE). The European Council meeting on 17-21 July agreed a recovery package based on a 2021-2027 Multiannual Financial Framework (MFF) of €1 074.3 billion, topped up with €750 billion in extra resources for EU programmes, financed by borrowing on financial markets under the Next Generation EU (NGEU) instrument (the so-called ‘recovery fund’) backed by an increase in own resources. The package also included agreement on a regulation to protect the EU budget in case of deficiencies in the rule of law.

In line with its resolution of 23 July 2020, the European Parliament swiftly took the steps needed to allow the launch of the recovery fund, and to improve on the European Council agreement to ensure that the EU finances respond to needs and expectations now and in the future. These improvements included top-ups to priority programmes and more flexibility in the use of the MFF, a legally binding place for the introduction of new own resources, better scrutiny of the mobilisation of the NGEU instrument,1 and enhancements in the application of the rule of law mechanism. Final agreements within and between the institutions, secured in December 2020, enable the new MFF to be in place as of 1 January 2021.

This paper describes reforms already secured by the European Parliament and suggests further ideas that could be considered to improve the financing of the European Union, restore the link between EU strategy and financing, and better communicate the benefits of spending at EU level.

Background

Following conflicts over budget negotiations and a number of failed budgets in the 1980s, an inter-institutional agreement (IIA) on budgetary discipline was established in 1988 to help improve the way the European Parliament and Council, as the Union’s joint budgetary authority, work with each other and with the European Commission to adopt the EU budget. The IIA, which was concluded by common agreement between the three institutions, also contained a ‘financial perspective’ providing a multiannual financing arrangement. All budgets since have been negotiated within a Multiannual Financial Framework (MFF). Since the introduction of multiannual financial planning, there have been no more failures to agree the budget by the start of any individual budget year.

The first IIA contained the Financial Perspective for 1988-92 (known as Delors I), which was intended to provide the resources needed for the implementation of the various aspects of the Single European Act. A new IIA was agreed in October 1993, together with the Financial Perspective for 1993-99 (Delors II), which enabled the structural funds to be doubled with the own resources ceiling increased accordingly. The own resources ceiling rose steadily from 1.15 % of EU gross national product (GNP) in 1988 to 1.27 % of EU GNP in 1999. The financial framework was revised eight times over this period, to provide resources for new activities and strengthen existing policies,
including for enhanced cooperation with the countries of central and eastern Europe and developing countries, German reunification and enlargement. The MFF payments ceiling rose from 1.12 % to 1.24 % of EU GNP, leaving a margin of around 0.03 % of EU GNP below the own resources ceiling over the period as a whole.

However, the third IIA containing the Financial Perspective for 2000-06 (Agenda 2000) marked a significant change in the Union's financing. For the first time, new needs (further reforms to the CAP and structural operations, and enlargement) were financed within the existing own resources ceiling. And a substantial 'margin' between the own resources ceiling and the MFF payments ceiling was introduced.

The origins for this change of approach lie in the changing nature of the EU financial system itself. Like most international organisations, the EU was originally funded by national contributions. In 1970, the path-breaking system of EU own resources was created, consisting of resources linked to the existence of the customs union: customs duties, agricultural levies, and sugar and isoglucose levies. These were considered as deriving from and belonging to the EU directly. However, these 'traditional' own resources began to prove insufficient to fund the growing ambitions of the Union over time. A new own resource, representing a share of VAT, was introduced in 1979, followed by a further own resource based on GNP, in 1988. However, these last two own resources began to be seen rather as 'national contributions', and as their share of the total grew, so did calls for a correction of contributions to deliver a fairer distribution between Member States.

The UK budget rebate was introduced in 1985 and subsequent corrections for other Member States were added later. To calculate these corrections, not only the revenue but also the expenditure side of the budget had to be treated as national allocations in order to measure net contributions. Clearly this narrow accounting focus completely failed to capture the wider benefits of EU membership, and indeed still does. However, as the share of traditional own resources has continued to decline (currently around 15 % of the total), the net-contribution approach to the EU budget has become ever more entrenched.

Although there have been no increases in the own resources ceiling since the end of the second financial perspective (Delors II) in 1999, new needs have continued to rise. But instead of being funded through extra own resources and a larger MFF, as previously, they have increasingly been provided for in an ad hoc way, outside the EU budget, even if the resulting instruments generally have strong links to the budget.

Some instruments do not receive contributions or guarantees from the EU budget – for example, the European Development Fund (EDF), Greek Loan Facility and the European Financial Stability Fund (EFSF); while others do – for example, the Balance of Payments Facility (BoP), the Guarantee Fund for External Actions (GFEA), the European Financial Stabilisation Mechanism (EFSM), the European Fund for Strategic Investment (EFSI) and its successors, the European Fund for Sustainable Development (EFSD), Trust Funds (TFs) and the Facility for Refugees in Turkey.

Off-budget instruments have again been resorted to in the context of the coronavirus crisis, including the temporary support instrument to mitigate unemployment risks in an emergency (SURE), which is guaranteed by the EU budget, and Next Generation EU (NGEU) which is also outside the MFF but which will channel resources raised by borrowing on capital markets through MFF programmes.

Some of these off-budget instruments have been established by Council decision alone, whilst others depend on co-decision between the Council and the European Parliament, and they contain a multiplicity of governance and control structures. Some are subject to audit by the European Court of Auditors (ECA) – such as the EDF, EFSI and the EFSD, whilst some are subject to discharge by the European Parliament – such as the EDF and the EFSD but not the EFSI, while still others – such as the ESM, are not subject either to audit by the ECA or discharge by the Parliament.
Importantly, the very design of some of these instruments involves diverse mixes of public and private investment. It is thus extremely difficult to assess how much money is involved, whether the margin below the ceiling is sufficient to back all potential liabilities, the extent to which the spending involved is in line with EU strategic objectives, and how correctly, efficiently and effectively this money is spent.

There is a striking symmetry between the increasing use of off-budget instruments and the declining amount of funding of EU policies from within the MFF, as shown in the chart below.

Figure 1: Developments in the own resources and MFF ceilings, and off-budget instruments

Source: Commission data for own resources and MFF ceilings. The EPRS compilation of instruments above the own resources ceiling is illustrative of developments over time only, and neither complete nor to scale.

The margin between the own resources and MFF payments ceilings was 0.03% of EU GNP in both 1988 and 1999, and also on average over this period. It could be assumed that this was the margin necessary for unforeseen circumstances. It could also be assumed that the margin that grew subsequently in excess of this unforeseen element was primarily to back liabilities from the growing range of off-budget instruments. Given the problems with accountability in these instruments, this share of the margin could be considered the measure of an ‘accountability gap’. Using the 2020 EU gross national income (GNI) estimate from Draft Amending Budget 10/2020, and assuming that the margin for unforeseen circumstances has remained 0.03% of EU gross GNI, that margin would represent around €4.6 billion today. However the current 2020 MFF margin of 0.19% of EU GNI amounts to €29.4 billion. The ‘accountability gap’ is thus €24.8 billion.

For the reasons cited above, we do not know the exact amount of off-budget spending in pursuit of EU policies, and whether the €24.8 billion reserved for possible off-budget liabilities is an appropriate amount. What we do know, though, is that this sum is not available to be spent through the MFF, where it would be subject to greater democratic decision-making, scrutiny and control.

Looking forward, the July 2020 European Council’s decision to increase the own resources ceiling to 2% of EU GNI (including a permanent increase to 1.4% of EU GNI to face current challenges and an
additional increase of 0.6 % to back NGEU borrowing), and to cut the 2021-27 MFF to below the level of the current MFF, suggests a further increase in the margin.

**Overcoming budgetary limitations**

**Possible options for reform of the EU finance system**

➤ **Legislative and procedural change**

The European Parliament has tried to improve the EU finances by setting its conditions for giving consent to the MFF, and by linking reform of own resources to its consent on the MFF.

Parliament might wish to press for a strengthening of its power over the MFF. Parliament co-decides the annual budget with Council. **Extending co-decision to the MFF** would restore the shared power the Parliament and Council had over the MFF in the past, when it was decided as an inter-institutional agreement. This would, however, require Treaty change.

Treaty change is not required, however, to **activate the MFF passerelle clause in Article 312(2) TFEU**, which states that, ‘The European Council may, unanimously, adopt a decision authorising the Council to act by a qualified majority when adopting the [MFF] regulation’. Qualified majority decision-making would allow the MFF to respond more flexibly to needs.

Thanks to the Parliament, the 2014-20 and 2021-27 MFF Regulations include a binding mid-term revision clause. Such a clause could be expanded in future to allow for a **political revision of the MFF**, to take account of the views of citizens as expressed in the outcome of the elections. The length of the MFF and revision process could also be reviewed in future to take account of the electoral calendar.

The fashion of the moment is 'mainstreaming' in the budget. But **a reflection could take place on whether mainstreaming really provides the resources needed or is rather a means to avoid increasing the budget by simply re-labelling**. The risk is that the same money is counted several times as it is 'mainstreamed'. The question of whether it is better to deliver key policies such as climate action through mainstreaming or by, for example, creating a new heading in the MFF could also be considered.

The case for **European Parliament involvement in decision-making over own resources**, to make it directly answerable to citizens for the whole budget, like all other parliaments, could also continue to be made. In the meantime, **extending the scope of the own resources implementing regulation**, to which the European Parliament gives consent, could be further exploited where possible.

➤ **More own resources better linked to EU priority policies**

Parliament has long called for reform of the own resources system. As a result of pressure from Parliament, creation of a High-Level Group on Own Resources (HLGOR) was agreed during negotiations on the 2014-20 MFF. Representatives of the EP, Council and Commission were involved in this group on an equal footing, representing a major step forward in introducing democratic accountability into the own resources debate. The HLGOR published the Monti Report in 2016, describing the problems with the current own resources system, and proposing reforms designed to improve the link between resources and the policies funded and allow own resources to contribute to the delivery of EU policies.

Drawing on the recommendations in the Monti report, the Juncker Commission proposed a number of reforms to the own resources system. These included an increase in the own resources ceiling, the introduction of three new own resources (based on a common consolidated corporate tax base (CCCTB), on revenues from the EU emissions trading system (ETS) and a tax on plastic packaging waste), a reduction in traditional own resources collection costs and the abolition of rebates. The
aim was to reduce the share of the GNI-based own resource and more closely link resources to EU policies.

Whilst welcoming the various measures proposed by the Commission to simplify the own resources system and the new policy-related resources proposed, the European Parliament resolution of 30 May 2018 questioned the absence of new own resources linked to a financial transaction tax and on the activity of large companies in the digital sector.

The July 2020 European Council political agreement increased the own resources ceiling and agreed a new own resource based on non-recycled plastic waste. It also invited the Commission to make proposals for new own resources based on a border carbon adjustment mechanism, a digital levy and the EU emissions trading scheme. However it decided to retain and increase corrections and increase collection costs from 20% to 25%, even though average collection costs for such taxes are small,7 and this could thus be considered a 'hidden' rebate.8 Following negotiations with the European Parliament, a legally binding plan was agreed to introduce own resources based on non-recycled plastic packaging waste in 2021 and on an emissions trading system carbon border adjustment mechanism and a digital levy in 2023, and further new own resources in 2026 based on for example a financial transactions tax and on a common corporate tax base. As well as helping raise the funds needed to deliver policies, further policy-related own resources could contribute directly to delivery of policy objectives. Some studies suggest that earmarking resources to specific policies might further help deliver policy objectives by enhancing citizens' buy-in.9 However, this goes against the principle of budget universality as specified in the Financial Regulation and reduces budgetary flexibility.

As part of the final agreement with Council on the 2021-27 MFF, the European Parliament also secured agreement on the use of competition fines as a source for extra spending on EU programmes. Raising further revenue from other resources linked to the functioning of the single market (e.g. revenues from the agencies helping implement the single market) could also be considered.

More use of borrowing

Although the Treaty requires the EU budget to be in balance, limited borrowing is possible, for example, to finance buildings. NGEU marks a major shift in the use of borrowing, both due to its scale and because the money raised will be used to fund spending on EU policies. NGEU resources will be spent through the EU budget, and will be subject to democratic accountability and control. However placing the rules surrounding this instrument within the Own Resources Decision makes it as inflexible as own resources. And treating the resources raised as earmarked revenue outside the MFF excludes the European Parliament from involvement in the authorisation of annual appropriations in the budgetary procedure, unless the Financial Regulation is amended. So while the introduction of EU borrowing and EU debt has been welcomed, the way this is done could be improved. And if repayment of the debt is not to cause problems in future, reform of the own resources system and the spending side of the budget seems even more urgent than before.

Thought could be given to further extension of borrowing possibilities within the limits of the Treaties to provide extra resources to fund EU policies. But the design of such borrowing should ensure that debt interest and repayment does not harm existing EU policies, given the rigidity of the MFF ceilings. Removing the requirement for budget balance could be considered, but this would require Treaty revision.

A simpler EU financial system

Full democratic and transparent scrutiny and control of EU spending by the European Parliament is difficult as such a large proportion of the budget (80%) is spent by national or regional governments in Member States.
Transparency, scrutiny and control of EU spending as a whole has diminished over time with the increasing creation of off-budget instruments, referred to as the ‘galaxy’.

The EU financial system is extremely complex. Complexity can lead to inefficiencies. And it makes the link between EU finances as a whole and the strategic vision of the EU and citizens’ expectations more difficult to discern than necessary. A simpler system, based mainly on the Multiannual Financial Framework with fewer off-budget instruments, would be easier to understand.

The EP has long called for off-budget instruments such as the European Development Fund (EDF) to be brought into the budget. Budgetisation of the EDF in the new MFF, 46 years after its creation in 1975, is a major step forward. And the case for further satellites outside the budget, particularly in the field of economic and monetary union (EMU), may diminish with the departure of the UK, which insisted on keeping the instruments needed to protect the euro outside the structures applicable to all Member States.

The European Parliament could press for further budgetisation of existing off-budget instruments. To properly assess the size of the task, the European Parliament could call for a full mapping of all EU off-budget instruments covering, inter alia, sums involved, implications for the EU budget, decision-making and control structures.

Until the own resources ceiling and the MFF can be raised sufficiently to allow the existing off-budget instruments to be brought into the budget, the EP might wish to strengthen the democratic control of existing off-budget instruments by insisting that they are all audited by the European Court of Auditors and subject to parliamentary decision and scrutiny. Until the own resources and MFF systems are made more flexible, there may be occasions in which further new instruments outside the budget are needed to finance urgent priorities, such as tackling the impact of the coronavirus crisis. In such circumstances the European Parliament might wish to agree to the creation of further off-budget instruments only if it is fully involved in governance and decision-making. Furthermore a binding commitment could be made at the time of their creation to bring such instruments inside the budget within a specified time-period.

Restore the link between strategy and finance

Before 2000, the growth in size of the EU budget was linked to clear and strong strategies. Since 2000 the link between strategy and finances has been effectively broken with the introduction by the Member States of a cap limiting multiannual financial frameworks to 1% of EU GNI irrespective of developments in the strategic vision of the EU. The last two EU strategies did not include any special link with EU budgetary/MFF cycles and did not even cover the same time frames: the Lisbon strategy covered 2000-2010 and Europe 2020 covered 2010-2020.

Following on from the European Council’s Strategic Agenda for 2019-2024, Commission President Ursula von der Leyen set out her Agenda for Europe\(^\text{10}\) containing the political guidelines for the European Commission’s 2019-2024 mandate. Her agenda centres on the European Green Deal growth strategy, which aims to mobilise around €1 trillion in sustainable investment over ten years, around half of which would come from the EU budget.\(^\text{11}\) Other pledges include a European Child Guarantee, which the European Parliament considered would need €5.9 billion in the next MFF,\(^\text{12}\) a European Unemployment Benefit Reinsurance Scheme, with an estimated cost of around 0.3 to 0.85% of EU gross domestic product (GDP),\(^\text{13}\) and a tripling of the Erasmus+ budget. However in spite of these new initiatives and President von der Leyen’s pledge to ‘give ourselves the resources we need to achieve our ambitions, notably through our next long-term budget’, the Commission’s revised 2021-2027 MFF proposal published in May 2020 was lower than its 2018 proposal, and failed to match EU financing to EU priorities.

In order to re-establish a clear link between EU priorities and EU financing, and the delivery of this financing in the most efficient and accountable way possible, the European Parliament could call for a strategic debate in the European Council on the size and structure of the EU financing
Financing the Union

A reflection on matching the length of the MFF with the strategic horizon should also take account of the EP electoral cycle.

Such a debate could also consider whether the benefits in terms of planning predictability and helping to facilitate inter-institutional negotiations on the annual budget of the MFF outweigh its constraints. In short, do we need an MFF? If planning predictability is considered essential, do we need an MFF covering all parts of the budget?

Most of the ideas mentioned in previous sections could be dealt with within the current Treaties, including the introduction of new own resources, raising the own resources ceiling, abolishing correction mechanisms, raising the MFF ceilings and adding new headings. Other elements, such as co-decision over own resources and the MFF, removing the requirement for budget balance, and bringing some of the off-budget instruments such as the European Stabilisation Mechanism into the budget would require Treaty change, and could be discussed in the forthcoming Conference on the Future of Europe.

That Conference could also look at how to ensure that negotiations on co-decided legislation are not pre-empted by European Council decisions on the MFF.

Improve communication

Explain the benefits of spending at EU level

The policies funded by the EU deliver European added value. More could be done to communicate the European added value of policies, not just the cash involved, and move away from measurement based on simple estimates of how the EU budget is allocated between Member States. The notion of European public goods, which benefit European citizens in general and are not limited by national borders, could also be better communicated. The issues that citizens are consistently most keen for Europe to tackle, such as climate change, security and migration, cannot be dealt with at the level of individual Member States alone. And there are clear additional gains to be made when working together, for instance through shared information, economies of scale, and elimination of duplication.14

A European Parliament Policy Department study for the Committee on Budgets on the cost of non-agencies with relevance to the internal market finds that if the Member States took back the tasks carried out by the seven agencies in the field of the internal market, the extra costs involved would amount to between €150 and €200 million to up to €1 000 million. The European Parliament’s cost of non-Europe analysis15 estimates overall potential benefits to the European economy through closer EU policy cooperation at €2 trillion.

As well as synergy gains and benefits deriving from the efficiency of acting at EU level rather than in 27 Member States with different systems, pooling efforts at EU level can also be more effective, for example, between Member States through bodies such as Europol and Eurojust, and through the catalytic effect of instruments such as EFSI.

In addition to the direct benefits to individual Member States of EU policies, the spill-over effects to other Member States and the benefits to them of successful neighbours, could also be highlighted.16

Demonstrate that an increase in the EU budget is in the financial interest of citizens

Public opinion in the EU sees the EU budget increasingly positively and there is growing demand for more spending at EU level.17

However an increase in the MFF large enough to replace national spending through national budgets or through the current ‘galaxy’ of off-budget instruments would need to prove its efficiency and demonstrate that an increase in the EU budget is in the financial interests of citizens. To this end, efforts could be made to demonstrate the sound financial management of spending through
the EU budget compared to spending through national budgets and EU off-budget instruments, and to measure the savings generated by efficiency gains when spending through the EU budget instead of through national budgets or EU off-budget instruments.

It has been argued that the decision by the Member States not to allow increases in spending on EU policies to be channelled through the EU budget indicates a lack of trust in the efficiency of spending through the EU budget. However, the EU budget is subject to exceptionally high standards of management and control. Benchmarking studies could be carried out to help demonstrate how well the management and control of the EU budget compares to Member States’ budgets. For example, while the EU accounts have received a clean bill of health every year since 2007, the accounts of the UK Department of Work and Pensions have been qualified every year since 1988/89 due to the material level of fraud and error.18

More effort could be made to highlight the performance of the EU budget. Significant improvements have been seen on the side of performance auditing, in the discharge procedures and through the increased emphasis on this from the European Court of Auditors. Performance budgeting19 remains to be introduced.

Estimates of potential savings from acting at EU level instead of at national level could help demonstrate the benefits of spending through the EU budget instead of national budgets. A recently published EPRS study20 estimates the volume of ‘budgetary waste’ from not realising efficiency gains through EU action in the fields of health, climate, social insurance and defence at around €180 billion.

The regulation on the protection of the Union’s budget in case of generalised deficiencies as regards the rule of law is designed to help reassure citizens that spending remains consistent with EU values. It should be noted, however, that conditionality mechanisms tend to have a high administrative burden,21 which can be costly.
## Potential initiatives to overcome budgetary limitations

<table>
<thead>
<tr>
<th>Proposal/suggestion</th>
<th>Likely lead actor</th>
<th>What could/should be done?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Co-decide the MFF</td>
<td>EP and Council</td>
<td>Extending co-decision to the MFF would mirror the shared power of the EP and Council over the budget.</td>
</tr>
<tr>
<td>2 Qualified majority adoption of the MFF</td>
<td>Council</td>
<td>According to Article 312(2) TFEU, ‘The European Council may, unanimously, adopt a decision authorising the Council to act by a qualified majority when adopting the [MFF] regulation’.</td>
</tr>
<tr>
<td>3 MFF regulation to include political revision clause</td>
<td>Council</td>
<td>MFF revision rules could be extended to allow a political revision to take account of the views of citizens as expressed in EP elections.</td>
</tr>
<tr>
<td>4 Co-decide own resources</td>
<td>EP and Council</td>
<td>Co-decision over own resources would enhance the democratic accountability of the EU’s finances</td>
</tr>
<tr>
<td>5 Expand the role of the own resources implementing regulation</td>
<td>Council</td>
<td>There is greater democratic involvement in the own resources implementing regulation, to which the EP gives consent, than in the Own Resources Decision, on which the EP is consulted.</td>
</tr>
<tr>
<td>6 Analysis of problems with own resources system</td>
<td>All institutions</td>
<td>Thanks to pressure from the EP, the inter-institutional high-level group on own resources was created to analyse the problems with the current own resources system and make proposals for improvements.</td>
</tr>
<tr>
<td>7 Simplify own resources system</td>
<td>Council</td>
<td>Despite Commission proposals to simplify the Own Resources system, the July 2020 European Council conclusions decided to retain and even extend corrections. The Commission and the European Parliament could continue to press for abolition of corrections and a simpler own resources system.</td>
</tr>
<tr>
<td>8 Own resources more closely linked to policies</td>
<td>Commission, EP and Council</td>
<td>Following negotiations between the EP and Council on the 2021-27 MFF, a legally binding plan was agreed to introduce own resources based on non-recycled plastic packaging waste, on an emissions trading system carbon border adjustment mechanism, and a digital levy, and develop further new own resources, for example based on a financial transactions tax and a common corporate tax base.</td>
</tr>
<tr>
<td>9 Resources stemming from the functioning of the single market</td>
<td>Council</td>
<td>In addition to the agreement to use revenue from competition fines to help fund EU policies, consideration could be given to funding spending from other forms of revenue stemming from the functioning of the single market.</td>
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<tr>
<td>Proposal/suggestion</td>
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<td>What could/should be done?</td>
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<tr>
<td>Reconsider the balanced budget rule</td>
<td>All institutions</td>
<td>NGEU will allow a substantial increase in borrowing. To allow more borrowing to help fund EU policies, the balanced budget rule could be reconsidered.</td>
</tr>
<tr>
<td>Further budgetisation of EU-off-budget instruments</td>
<td>All institutions</td>
<td>The increasing multiplicity of EU off-budget instruments lacks transparency and accountability and may cause inefficiencies. The July 2020 European Council conclusions decided to budgetise the EDF. Consideration could be given to further budgetisation of EU off-budget instruments to bring them under the democratic control of the EP.</td>
</tr>
<tr>
<td>Complete mapping of EU off-budget instruments</td>
<td>European Court of Auditors</td>
<td>The full scale of EU off-budget instruments is currently unknown. The European Court of Auditors could be invited to carry out a full mapping detailing inter alia, sums involved, implications for the EU budget, decision-making and control structures.</td>
</tr>
<tr>
<td>Strengthen scrutiny and control of off-budget instruments</td>
<td>EP</td>
<td>The European Court of Auditors does not have the right to audit all off-budget EU spending either through national budgets or off-budget instruments. The EP might wish to propose that all EU off-budget instruments are audited by the European Court of Auditors and subject to parliamentary discharge and scrutiny.</td>
</tr>
<tr>
<td>European Council debate on the EU financing system</td>
<td>European Council</td>
<td>The European Council could be invited to hold a debate on the EU financing system with a view to assessing its functioning and to re-establish the link between EU priorities and financing.</td>
</tr>
<tr>
<td>Review the existence/coverage of the MFF</td>
<td>All institutions</td>
<td>Do the benefits of the MFF outweigh the disadvantages? Does the MFF need to cover all areas of expenditure?</td>
</tr>
<tr>
<td>Future of Europe debate on the EU financial system</td>
<td>All institutions</td>
<td>Reforms to the EU financial system requiring Treaty change could be agreed in the debate on the future of Europe.</td>
</tr>
<tr>
<td>MFF negotiating box to exclude legislative co-decision elements</td>
<td>Co-decision legislation should be co-decided by the EP and Council in the normal legislative procedure, and not pre-empted by the Council/European Council through the MFF procedure.</td>
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<tr>
<td>Better communicate EU added value</td>
<td>All institutions</td>
<td>More could be done to explain the wider benefits of EU spending on policies, not just the simple cash amounts involved.</td>
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<td>19 Focus on European public goods</td>
<td>All institutions</td>
<td>European public goods which benefit European citizens in general and are not limited to national borders could be better explained to citizens</td>
</tr>
<tr>
<td>20 Focus on money saved by acting at EU level</td>
<td>EP</td>
<td>Spending at EU level rather than in 27 national systems can lead to efficiency gains and economies of scale that save money.</td>
</tr>
<tr>
<td>21 Better communicate sound financial management of EU budget</td>
<td>All institutions</td>
<td>The EU budget is subject to exceptionally high standards of management and control.</td>
</tr>
<tr>
<td>22 Develop the concept of the ‘waste rate’ of not acting at EU level</td>
<td>EP</td>
<td>The ‘waste rate’ measures the cost of not benefitting from the efficiency gains and economies of scale generated by acting at EU level.</td>
</tr>
</tbody>
</table>
ENDNOTES


2 With the move from GNP to GNI in 2000 the Own Resources ceiling of 1.27 % of EU GNI was replaced with the equivalent ceiling of 1.24 % of EU GNI to maintain the volume of Own Resources at the same level, and then 1.23 % of EU GNI following the correction of the GNI base for the measurement of financial services. A further correction to the measurement of GNI followed in 2014 to adapt to the European System of Accounts reducing the ceiling to 1.20 % of EU GNI but again leaving the volume of Own Resources unchanged.

3 €15 480 149 900 000 (or €15.5 trillion).

4 See for example EPRS In-depth Analysis, Mainstreaming of climate action in the EU budget. Impact of a political objective, by Alessandro D’Alfonso (2019).


6 Own resources of the European Union: Reforming the EU’s financing system, by Alessandro D’Alfonso (2020).


8 See the 2016 Monti Report, for example.


10 Ursula von der Leyen, A Union that strives for more. My agenda for Europe, 2019.


14 For an example, see: External border control and asylum management as EU common goods: A budgetary perspective, Alessandro D’Alfonso, Robert Schuman Centre for Advanced Studies, European University Institute (2019).


16 See for example research for the REGI committee on the externalities of cohesion policy by Naldini et al (2018).


20 Improving the quality of public spending in Europe - Budgetary ‘waste rates’ in EU Member States, by Jérôme Saulnier (2020).


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