



8 January 2018

BUSINESSEUROPE VIEWS ON THE MFF POST 2020

1. Following a difficult decade for the European Union, the recovery is finally anchored, entering its fifth year in 2017 with positive numbers both in terms of growth and employment creation. We also clearly witness renewed signals of unity by EU leaders and less uncertainty at political level in many member states due to recent elections. All these circumstances create a clear window of opportunity for Europe.
2. In order to fully exploit the present momentum and make the positive cyclical component of the recovery last in a sustainable manner, we must take decisive steps regarding the future of Europe, and ensure that reforms at national level continue to structurally strengthen our economies. The present moment is therefore not to relax, but to vigorously advance with all the reforms that remained in stand-by in the past years, developing the necessary tools to prepare Europe for a new and decisive decade.
3. The EU budget is one such tool. We cannot continue with marginal changes. **The Multiannual Financial Framework (MFF) post-2020 will need to reflect the new context and speed-up the important transformations which have been steadily occurring in the EU budget**, namely an increased focus on areas with clear EU added value, greater role for innovation, and focus on results. The proposal on the next MFF must be made on the basis of a thorough assessment of the current budget, in order to identify both strengths and areas for improvement.
4. **Timing will be crucial.** With the European Commission proposal expected in May 2018 at the earliest, and with European elections by mid-2019, there will be a very tight time frame to agree on the new MFF. Failing to agree on the proposal by the time of the European elections will be of serious consequences: it would very likely mean a last-minute deal, followed by serious delays in the start of programmes in 2021, and a lost year in investment by the EU budget.
5. The size of the next MFF must be dependent on the needs required to face common challenges ahead. Currently, the EU budget stands at around 1% of EU's GDP and it is therefore **important not to create unrealistic expectations on how much it can deliver. However, the EU budget has provided for important investments** with clear results in terms of innovation, infrastructure, training, improved skills, employment and company development, SMEs in particular. Furthermore, it is clear that financing the provision of certain EU



public goods with joint resources can bring significant cost savings, ensure efficiency gains by avoiding duplication, and achieve important economies of scale.

6. We must optimise the impact of the EU budget, amplify **the benefits, and ensure visible results**, especially in a moment where we need to bring the EU closer to its citizens and when the exit of the UK from the EU is likely to reduce the means available at EU level. For that, its priorities and functioning must be improved to ensure a more efficient and effective spending, and key concerns of citizens and businesses must be properly addressed. This is it is particularly important to react and look for concrete answers to bring the EU closer to its territories.
7. The EU budget must **focus on projects of real European added value** and concentrate efforts on improving EU's competitiveness in order to boost long-term growth. Therefore, it should **deliver concrete benefits**, such as in the areas of competitiveness, single market, common currency and common trade policy, research, development and innovation, SME development, including through their interaction with larger companies, cross-border cooperation, and security. The next MFF must **address key concerns** such as employment creation; **prepare Europe for the mega trends**, with a renewed focus on areas such as the digital economy, industrial policy, cutting edge technology, energy transition and decarbonisation of the economy and clearly **reflect new priorities** such as migration, security, and defence.
8. We must also **ensure a more cohesive Europe**, which is a basic condition for a proper functioning of the EU, and of the euro area in particular. Cohesion policy is very important to support a cohesive Europe in all its forms: economic, social, and territorial and must therefore be ensured an adequate financial framework. We must boost the success cases of this policy turning it into an integral part of a European investment strategy, aiming at empowering each region with the necessary tools to build-up their competitiveness, and supporting structural reform implementation where possible.
9. The EU budget must match EU priorities. Financial needs are however different in the different areas and resources should be adjusted accordingly. **A number of areas clearly need additional financial resources:**
 - Despite positive results, high demand, and benefits of EU action, **research, development and innovation activities** are still clearly underfunded. The overall EU budget for R&D&I should therefore be consistently scaled-up. We applaud the call from the Lamy report to double the overall budget of the post-2020 EU R&D&I programme (i.e. €160 billion over seven years).
 - Additional financial resources must be made available to face new problems such as in the areas of **security, defence, and migration**, where action at EU level can lead to more efficient spending and better results.



- Further developing **trans-European infrastructure projects** in the fields of energy, transport and digital services is of strategic interest for the EU and must therefore be given adequate resources. Financing resources alone will however not suffice and must be accompanied by a coherent legislative framework.
10. The combination of less resources and new priorities means that **we must, more than ever, focus on results that meet the EU added value principle**. It is important to more strongly evaluate the impact of the different policies and projects to ensure an efficient allocation of resources. All funds should therefore follow this approach.
 11. In terms of effectiveness and efficiency of the use of EU funds, **expenditure at EU level must ensure that synergies are created with national funding**. Co-financing rates must be carefully analysed to ensure the proper incentives and national responsibility. These should be introduced in all policy areas and strengthened where adequate during the next programming period. Conditionalities in the use of funds must be of a positive nature, in order to create the right incentives and work effectively, and ensure a result-oriented use of EU funds that leads to clear EU added-value. The ex-ante conditionalities should be enhanced as they proved a very helpful tool in terms of effective and efficient use of resources.
 12. **The efforts to mobilise private investment and boost the use of financial instruments must also be stepped-up**. Financial instruments cannot fully replace the need for grants in some areas, particularly for very innovative and risky projects, in cutting edge technology, cross-border infrastructure, applied research and experimental development. Indeed, in several projects, grants are much better suited than financial instruments and should be preserved in the new MFF, including in the next R&D&I framework programme. It is, however, fundamental to ensure a wider use of financial instruments in projects where these are justified. Innovative instruments such as the European Fund for Strategic Investment, which aims at using small amounts of public money to mobilise private investment that would otherwise not occur, are welcome and should be given particular attention in the post-2020 period.
 13. **It is however necessary to rationalise EU funds**. We have seen a proliferation of EU funds and new financial instruments, often with overlapping objectives and too little shooting power. In view of the upcoming MFF, it is fundamental that all funds are duly assessed, streamlining those with overlapping objectives and inefficient results, ensuring that their use is simplified, blending is facilitated, and synergies with other EU funds are strengthened in order to give each fund enough capacity to ensure results.



14. We support strengthening the long-term stability of EMU and its ability to handle asymmetric shocks to one or more of its economies through access to a **Euro Area stabilisation fund**, fully conditional on Members States implementing structural reforms and there being no increase in the overall tax burden. To ensure the stabilisation fund is effective, support should be rapid and temporary.
15. **The upcoming MFF must also be able to better balance predictability of means and the flexibility to react to unforeseen events.** Over recent years the EU has managed to make the best out of the EU budget in face of unforeseen events. However, it has also stretched its capacity to the limit. Moreover, the pressure to quickly mobilise funds is generally done at the costs of programmes which do not have pre-allocation by member states, such as innovation and infrastructure programmes, that are generally highly performing and already underfunded. But the predictability of the budget must be maintained and all measures aiming at increasing flexibility of reaction must be therefore foreseen within the limits of the budget and not in new non-budgeted instruments outside the budget.
16. For all of these changes to be made possible in view of the MFF post-2020, it is necessary to change the mind-set and understanding of the EU budget by member states. It is **absolutely necessary to move away from a logic of “net return”** (e.g. net contributor/receiver debate) when agreeing in the next MFF. This fails to capture all the benefits of spending at EU rather than national level, including savings and efficiency gains.
17. The MFF post-2020 discussions and agreement will take place during European elections and coincide with the conclusion of the Brexit negotiations. European leaders must work together in a logic of common benefits, which must be fully explained, rather than reducing discussions to how much money each member retrieves. We believe that it is important that the discussions on the next MFF are not divisive, but rather create a moment where European leaders can show their solidarity and responsibility, listening to the voices of citizens and social partners, avoiding any additional upward pressure on overall taxation, focusing on what is important to strengthen the efficiency and competitiveness of the European Union as a whole. BusinessEurope and its member federations will work with the objective to offer positive and constructive contribution to the discussion.