

2011 Schuman Report on the State of the Union

The future of the EU budget after the crisis

Bruxelles, 22 June 2011



from left to right : Anne Vitrey, Ignacy Niemczycki, Dr. Andreas Schwarz, Paul Adamson, Pascale Joannin, Olivier Debande

To discuss the future of the EU budget, the Robert Schuman and The Centre invited:

- **Dr. Andreas Schwarz**, member of Cabinet of Commissioner Janusz Lewandowski, responsible for financial programming and budget ;
- **Ignacy Niemczycki** – Attaché, Permanent Representation of Poland to the EU, Budget and Finance Section, assistant of the chairman of the working group for the financial framework ;
- **Anne Vitrey** Director, European Parliament, Secretariat general, Directorate-General for Internal Policies of the Union, Directorate for Budgetary Affairs ;
- **Olivier Debande**, Managerial Adviser, European Investment Bank (EIB), Institutional Affairs Department ;
- **Pascale Joannin**, General Manager of the Robert Schuman Foundation

The debate was moderated by Paul Adamson, President of Edelman|The Centre.

Ambition and/or realism?

Andreas Schwarz acknowledged that the next Multiannual Financial Framework (MFF) will be shaped by the current economic crisis. He defended the EU budget for already applying budgetary restraint by underlining two figures:

- First, the share of the EU budget in percentage of the Gross National income (GNI) has declined from 1.18% in 2010 to 1.15% in 2011 and 1.13% in the Commission's 2012 Budget proposal for commitment appropriations.¹
- Second, while the EU budget has increased by 37.4% between 2000 and 2010, the 27 Member States' budgets increased overall by 62%.²

Additionally, while the Commission is criticized for its proposal to increase the 2012 budget by 4.9%, 23 out of 27 Member States are increasing their budget for the coming years. Nevertheless, Andreas Schwarz underlined that the Commission's proposal for the next MFF will reflect the current austerity requirements, for the sake of credibility. The Commission wants to be ambitious but realistic. The Commission will thus smartly reallocate credits between headings to increase funds for R&D, trans-European infrastructures (energy, transport, broadband), migration, education and external relations.

Asked by Paul Adamson if a genuine discussion on the content on the budget could take place instead of focusing on the global figures, Andreas Schwarz replied that the Commission hopes for increasing spending with high added value. Nevertheless national governments do not want any revolution; thus the Commission will rather push for evolution.



From left to right: A. Schwarz, P. Adamson, P. Joannin

¹ European Commission, Statement of estimates of the Commission for 2012, SEC(2011) 498, Brussels, 20.4.2011

http://ec.europa.eu/budget/library/biblio/documents/2012/DB2012/DB2012_docI_pol_pres_en.pdf

² Commissioner Lewandowski, « Draft Budget 2012 For 500 Million Europeans », Power point presentation, Brussels, 20.4.2011

Anne Vitrey presented the position of the European Parliament (EP), as detailed in a resolution adopted in plenary on 8th June.³ In particular, the EP demand a reasonable increase of 5% of the budget compared to current expenditures and a modified nomenclature of expenditures to highlight the EU2020 strategy.



P. Joannin

Pascale Joannin highlighted two pitfalls and two requirements. First in a time of crisis, EU Member States are adamant about applying to the EU budget the same austerity rule applied to national budget. However, the Lisbon Treaty was “sold” to EU citizens by underlining that the EU will not only deal with the Common Agricultural Policy (CAP) and structural funds but also with new policies like external relations, but it needs funds for these new policies.

Therefore, though it will take time, the EU economic governance should be federalized in her view. Like J-C. Trichet, she proposed the nomination of an EU Secretary of the Treasury, like T. Geithner in the United States, so that a political leader leads the discussion.

Moreover, she recalled the principle “no taxation without representation” and recommended to take into account the new role of the EP in the budgetary field.

During the Q&A session, **Daniel Muether**, responsible for International Coordination Energy Regulation at the German Federal Network Agency, expressed his concerns that there may not be specific funds for energy security such as interconnectors in the next MFF. A. Schwarz replied that if the EU economic recovery plan financed interconnectors with good results, a more centralized approach will indeed probably be adopted for the MFF.

A realistic calendar?

Andreas Schwarz explained that after the general political proposal on 29th June, the Commission will also present a proposal on own resources and sectoral proposals for reforming the Common Agricultural Policy and the cohesion funds (between the end of September and the end of 2011). The Polish Presidency will start discussing the MFF and

³ European Parliament resolution of 8 June 2011 on Investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P7-TA-2011-0266+0+DOC+XML+V0//EN&language=EN>

other proposals. An agreement in the Council may be reached under Danish Presidency, and the Cypriot Presidency may be in charge of finding a compromise with the EP.



I. Niemczycki

This calendar was confirmed by **Ignacy Niemczycki** who played down the role of the Polish Presidency stressing that a lot will depend on the Commission's proposal and that Poland will only start the negotiations by conducting the analytical phase of the discussion. Acknowledging that Poland has a very strong interest in the MFF, as it is the first beneficiary of the budget, he stressed however that the Polish Presidency will act as an honest broker. The Polish Presidency will also focus on the 2012 annual budget, but this will be an issue separate from the multiannual financial framework. Actually, the

annual budget will be agreed by the Finance Ministers, while the MFF will be dealt in the General Affairs Council.

Piotr Maciej Kaczyński, from CEPS, questioned whether the end of 2012 would not be a more realistic date for the adoption of the MFF taking into account elections in France, Germany etc. **P. Joannin** replied that France will indeed have elected a new President in 2012 but the German elections will be in 2013. In any case, an agreement should be found before the end of 2012 to allow in 2013 the elaboration of the 2014 budget, 1st year of the next CFP. **A. Schwarz** underlined there will be a window of opportunity after the Danish presidency and suggested Van Rompuy to foster compromise. **P. Kaczyński** showed skepticism as H. Van Rompuy will look for reelection at that time.

Institutional fights or Inter institutional cooperation?

Andreas Schwarz recalled the two political extreme being the five Member States' letter calling for a budget under 1% GNI and the Parliament calling for at least 1.11%. He stressed that good inter-institutional cooperation is key to reach an agreement in the middle.

Ignacy Niemczycki also stressed the good grounds prepared by the Hungarian Presidency for cooperation with the Parliament and showed satisfaction about the EP report on the MFF.

Anne Vitrey underlined that the European Parliament has gained increasing budgetary powers with the Lisbon Treaty and has already used its prerogatives during the 2011 budgetary negotiations. The EP accepted reduced payment appropriations, but obtained

in exchange institutional progress, in her view, with the use of articles 324 and 312.5 TFEU. In two letters from Yves Leterme, Belgian Prime Minister and Victor Orban Hungarian Prime Minister⁴ to Jerzy Buzek, President of the European Parliament, the Council Presidencies committed themselves to involving the European Parliament during the next MFF negotiations:

- EP representatives (to be designated) will be briefed by the Presidency before and after each General Affairs meeting devoted to discussion on the MFF ;
- the three institutions will regularly meet in trilogue ;
- the EP President will be allowed to participate in debates of the European Council on the CFP.

For Anne Vitrey, the Parliament is not yet ready to be put “devant le fait accompli” in these negotiations. Contrary to 2005, it has already adopted, prior to the Commission’s proposal, a report prepared by a special committee with clear demands for the MFF. She stressed that as it was adopted by a large majority, this resolution cannot be ignored by the Commission and the Council. She did admit that the EP has only a consent power for the MFF, but not granting consent can block the process, like probably in coming July for the proposition of the Commission to adjust the current MFF to the Lisbon Treaty. Asked by **Paul Adamson** about how the EP could reflect the views of the citizens, **Anne Vitrey** replied that differences between net contributors and net receivers can also be observed among MEPs, although the EP’s views focus more on policies.

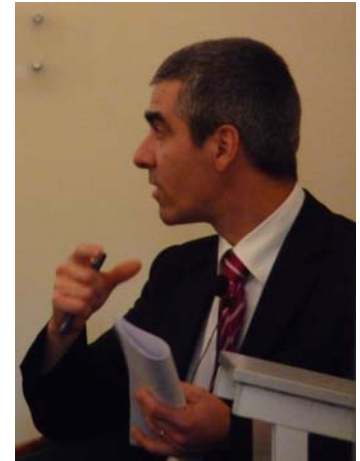


A. Vitrey

⁴ Cf. Présidence Hongroise, « Győri : au lieu de débats institutionnels, des décisions », 15/06/2011, <http://www.eu2011.hu/fr/news/gyori-au-lieu-de-debats-institutionnels-des-decisions>

Looking for resources ?

Olivier Debande underlined that the EIB is along the budget the second EU financial instrument to enhance EU priorities. Indeed, it provides long terms loans for projects supporting EU priorities by raising funds on capital market. He observed that the EIB's role was minor in the budgetary negotiations but underlined that its profile has been enhanced with the increase of volume of loans provided during the economic crisis. Additionally, the EIB could help to do more with less or a same level of EU funds, thanks to its experience of joint financial instruments with the Commission, mixing grants from the EU budget and EIB loans in order to trigger a multiplier effect. Furthermore, it is more efficient to finance projects producing revenues by loans than by grants. Finally, a Risk Sharing Finance Facility to finance research and innovation has been developed with DG Research, demonstrating the added value of joint risk sharing instrument.



O. Debande

Jeroen Decoch, de *IV Vlaanderen* asked about the state of play of the initiative on project bonds. **Olivier Debande** explained that the initiative launched by the EIB and the Commission just completed the public consultation and that the feedbacks were generally positive. The issue is whether some resources were already available to launch the initiative or if it will have to wait for the next MFF for the implementation of this instrument.

Joshua Chaffin, from the *Financial Times*, also raised the issue of own resources. **Andreas Schwarz** stressed that this time the Commission will make a proposal and that there are hopes in the European Commission that it could be achieved. But both **A. Schwarz** and **I. Niemczycki** acknowledged that it will be part of an overall package.