The post-2020 EU budget

BACKGROUND

Brexit is set to leave an annual EUR 10 billion hole in the EU budget, but at the same time the EU is supposed to be taking on new tasks in the fields of security, migration and competitiveness, all of which will result in additional spending requirements. From 2020 onwards, the budget gap will thus amount to around EUR 20 billion, a situation requiring a major overhaul of EU funding.

CURRENT SITUATION

The Commission has set 2 May 2018 as the date for presenting its proposal for the post-2020 Multiannual Financial Framework (MFF). It is expected that the proposal will foresee to fill 50% of the Brexit gap through spending cuts and 50% through higher contributions from Member States. The new EU tasks are however to be 80% financed by higher contributions. In all future programmes, a greater focus is to be put on EU value added. The Horizon 2020 and Erasmus+ programmes are to be excluded from spending cuts or may even be expanded. On the other hand, there is a high risk of cuts in cohesion funds. The SME support programme COSME is expected to become part of a Single Market programme, while the European Fund for Strategic Investments (EFSI) is expected to be continued, with a specific SME component, as InvestEU. Moreover, it can be expected that the termination of all rebates will be proposed, as well as a reform of the EU’s own resources.

The European Parliament adopted its initiative reports on the future MFF in mid-March 2018. These call for a substantial expansion of COSME, Erasmus+ and Horizon 2020, as well as for maintaining the status quo in cohesion and agricultural policy, with a recommendation that the resultant higher spending will be funded through raising Member State contributions from 1% of gross national income to 1.3%. These contributions should however be gradually reduced through the introduction of new, mainly tax-based EU-level revenues.

Within the Council, the majority of Member States, including Germany, are prepared to pay higher contributions, though certain countries, including Austria, the Netherlands and Sweden, oppose such a move.

The legislative process starts upon presentation of the Commission proposal. The plan is to achieve political agreement before EU elections in May 2019.

ASSESSMENT

Spending

In areas where economies of scale can be achieved through bundling activities at European level (e.g. protecting the EU external frontier, defence
union, etc.), the German skilled crafts sector is in favour of the EU taking over these new tasks.

To overcome the challenges posed by the budget constraints, cuts in certain existing EU programmes are planned. The German skilled crafts sector calls on EU decision-makers to make the cuts wisely and in the right places. All forward-looking programmes providing EU value added, helping to stabilise the European economy and improving the competitiveness of small companies through supporting them in their VET efforts and offering them advice should be exempted from the cuts. These include in particular the strong support for small companies under COSME+ and the 9th Framework Programme for Research and Innovation, regional aid in the context of cohesion policy, and support for apprentice mobility under Erasmus+.

In the view of the German skilled crafts sector, there is a lot of sense in harmonising and simplifying the rules governing the various support programmes, for instance on the basis of lump sums. Where programmes are to be merged, particular attention should be paid to upholding the possibility of distinguishing between the various beneficiaries. The goal of the SME-specific support programmes is to compensate for the size-related disadvantages faced by small companies vis-à-vis their larger counterparts and midcaps, thereby creating a level playing field. Small companies in particular play a major role in diversifying and strengthening the European economy and in creating jobs. Everything must therefore be done to prevent midcaps accessing funds earmarked for small companies, especially as the former are in a much better position to successfully navigate the complex application processes for such funds. In the view of the ZDH, an appropriate share of SME funding should be specifically earmarked for small and micro companies.

The German skilled crafts sector is critical of the stabilisation function proposed by the Commission as part of the EU budget, as well as the introduction of a “rainy-day fund” with a competence to borrow, as such programmes lead to a decoupling of decision-taking responsibility and liability.

Revenues

The demand for new funding sources expressed by the Commission and the Parliament and especially for the introduction of EU-level taxes is categorically rejected by the German skilled crafts sector. Competence for raising taxes rests solely with the Member States, legitimised by their parliaments.

CONCLUSION

The preparation of the next Multiannual Financial Framework is a difficult task in times of budget constraints and in a Europe characterised by diverging interests. It is therefore all the more important for decision-makers to invest their efforts in achieving efficiency gains and in consistently focusing expenditure on measures compatible with the principle of subsidiarity.

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