



# IS HARMONY POSSIBLE WHEN IT COMES TO MONEY?

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The fight for the next seven-year budget of the European Union begins. Although the official proposal of the European Commission for the next multiannual financial framework for 2021-2027 will be presented on May 2 this year, the leaders of the Member States, the European Parliament, the Committee of the Regions have already come up with their views on the preliminary proposals of the European Commission, presented in the document from 14 February 2018. “A new modern financial framework for a European Union that delivers efficiently on its priorities post-2020”.

An important reminder is due, namely that according to paragraph 1 of Article 311 of the Treaty on the Functioning of the European Union “The Union shall provide itself with the means necessary to attain its objectives and carry out its policies”. This means that the realisation of every new priority must be secured with the needed resources.

One can hardly deny the fact that the European Union is facing new challenges and new priorities. More needs to be done in areas such as security - internal and external, prevention of the illegal migration, border defence, coping with the serious problem of youth unemployment. We should not forget the potential enlargement to countries from the Western Balkans. This practically means that the Union will be burdened with new responsibilities, and respectively, with new expectations from the citizens for achieving results in these areas. It sounds paradoxical that some Member states insist for a smaller budget, while all these challenges should be met, considering that after the withdrawal of the United Kingdom, the EU budget will decrease with approximately 10-12 billion euros annually, and at the same time the responsibilities will grow. According to some preliminary estimations, the commitment of the European Union to these new priorities will require



an annual increase of the budget with at least 15 billion euros.

A preliminary discussion between the European state and governments' leaders was held during the informal European Council on 23 February 2018. Its purpose was to clarify the positions and to seek compromise. Although no specific information appeared after this informal Council, according to the president of the European Commission Jean-Claude Juncker "14 - 15 Member States declared their intention to increase the level of their contribution". It will be interesting to find out which are these countries and what is their motivation. The idea of a larger EU budget, and respectively, of higher payments to the budget, was supported mainly by the countries from Central and Eastern Europe. Spain also showed willingness to support this position. The enthusiasm for a larger budget and the willingness for a higher contribution are mainly due to the desire of these countries to keep the functioning of the Common Agricultural Policy and the EU Cohesion Policy. It should be noted that the preliminary document of the Commission provides options for preserving the status quo and for a decrease, but not for an increase of the funds for these policies. Germany is also willing to increase its contribution, although Angela Merkel clearly declared that the "bureaucratic" policies will need to be cut off nonetheless, when considering the Common Agricultural Policy.

Another group of countries – mainly Austria, Denmark, Netherlands, Sweden – announced themselves strongly against the budget increase. The prime minister of the Netherlands Mark Rutte holds the argument that the budget shouldn't be increased, it should even be made smaller after the United Kingdom's withdrawal from the EU. He claims that enough funds for the new priorities can be assured, if it gets "modernised". How - it is not clear yet.

The president of the Committee of the Regions Karl-Heinz Lambertz is a huge supporter of an increase in the budget. He sent a letter to Donald Tusk calling for a larger budget, adequate to the higher ambitions and to the message from the 2017 meeting in Bratislava for a creation of a new plan for Europe. "You cannot do it without money" holds Lambertz. In his letter to Tusk, Lambertz states the Cohesion Policy should "make up more than one third" of the next multi-annual EU budget.

Currently the EU budget amounts to 1% of the gross national income of the Member states. The European Commission has still not specified an exact figure for the future one. Günther Oettinger, the Commissioner responsible for the budget, claims that it should be at least 1.1X% without specifying the hundredth figure. The European Parliament is a lot more generous – it suggests that the European budget should amount to 1.3% of the gross national income of the EU Member States. The prime minister of Finland (Finland can be considered a part of the group of countries which do not support the budget increase) suggested a compromise of 1.1%. The problem is that those who are against a larger budget are more determined than those who are "for" it. A similar picture is already familiar from the negotiation of the last financial framework when two camps were formed: "the friends of effective spending" and "the friends of the Cohesion Policy".

Despite the optimism of the President of the European Commission that the meeting took place in an environment of harmony and considering the fact that this was the first discussion of the future budget between the European leaders, and especially that it was an informal one, it can be concluded that the call to adopt the multiannual financial framework before the elections for European Parliament in May 2019 can hardly turn into reality. The harmonisation of the 2014 - 2020 financial framework took 29 months. Currently this needs to be finished in less than 12

months. Even without the presence of the United Kingdom at the negotiating table, this can hardly be achieved within the timeframe suggested by the Commission.

Another debatable proposal coming from the European Commission is related to the application of conditionality when granting European funds. It can be applied in relation to compliance with the European legislation and the principles of the rule of law. Despite the preliminary expectation of intensive discussions on this subject, almost all European leaders accepted the proposal. Even Poland (for which this conditionality is tacitly intended) supported it, but under the condition that clear and objective criteria are enlisted. This is a difficult task because the criteria can easily be refuted and remain just a nice wish for the transformation of the structural funds into a “carrot”, and the system for evaluation of the rule of law into a non-functioning “stick” (similarly to the well-known Cooperation and Verification Mechanism for Bulgaria and Romania).

At this stage the discussions between the leaders are too broad but an impression is left that the mantra “doing more with less” is being repeated more often. Do those who repeat it truly believe that this is possible? Of course, there are some unused opportunities for more effective application of the European funds in the Common Agricultural Policy and the Cohesion Policy but this will not give us the solutions necessary to modernise the budget and to ensure enough funds for the new priorities. Cutting off already existing policies and transferring funds to regard urgent matters in the spheres of security, defence, migration etc. will not only not solve the existing problems, but on the contrary, can make them deeper. Should Europe of solidarity be sacrificed in the name of Europe of defence and security – this is the question, which will more often find place on the agenda. If the answer is “no”, then

the budget must inevitably be increased. This is also applicable to the vision of the future European Union. If we chose the option “doing more together”, its implementation can happen only when we change the approach “doing more with less” to “doing more with more”.

The fight for the budget has just begun and we should be aware that when it comes to money, harmony is hard to achieve. There are many questions and many contradictions. It is important to know what are the goals that the European Union aims to achieve and how the Member states support these goals and priorities while negotiating the future financial framework, so that the claim of Zbigniew Brzeziński: “Too self-satisfied, the European Union acts as if its central political goal is to become the world's most comfortable retirement home” does not get justified.