

The future of EU finances

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The European Commission published a reflection paper concerning the future of finances in the European Union (EU). The main aim of the publication is to investigate the current challenges faced by the EU, in particular the ongoing 'Brexit' negotiations between the EU and the United Kingdom (UK). The paper delves into different possible scenarios which the EU and its Member States can embark on in order to secure a stable financial future for the EU and its citizens.

To be able to do so, adequate financial resources are required to sustain the EU's priorities, while taking into consideration the UK's withdrawal from the EU. The EU is seeking to strengthen its role in issues such as migration and defence, while maintaining its leading role as a major development aid donor and as a leader in global climate action. The UK has one of the strongest economies in the EU and is a substantial contributor to the EU's finances. This means that once Brexit happens, the EU budget must be able to cope with the challenge of the remaining 27 countries financing EU policies and programmes. Currently, for every €100 earned, EU citizens pay an average of €50 in taxes and social contributions, with only €1 of this being allocated to the EU budget. This means that citizens are actually contributing to the EU budget for less than the price of a cup of coffee a day.

The reflection paper outlines scenarios to address the challenges. The scenarios reflect those presented in the White Paper on the future of Europe. Each has different implications for the EU's finances. These implications concern mainly the size of the EU budget on the one hand and the structure and degree of modernisation on the other. The reflection paper sets out five different options from which the Member States can choose in mapping out the future of the Union's finances. These scenarios also address common issues which are considered to be essential for a sustainable financial future, such as efficient EU programmes, simplification in EU funding, and an increased flexibility in responding to unforeseen developments and needs.

The first scenario puts forward the current reform agenda, while also strengthening the EU's current priorities. In terms of the EU budget, this scenario would look towards other sources of revenue which could support EU finances. Additionally, Member States would be required to contribute more towards EU funding programmes focusing on economic, social and territorial cohesion (Cohesion Policy). Cohesion Policy is targeted at improving the economic wellbeing of EU regions. This would mean that there would be lower investment for all regions, with greater levels of national co-financing.

The second scenario seeks to significantly reduce the financial burden on Member States and change the main priorities of the budget. This includes a reduction in investment in Cohesion Policy, as well as support to farmers under the Common Agricultural Policy (CAP). Programmes such as Erasmus+ and the Fund for European Aid to the Most Deprived (FEAD) would be discontinued. This scenario would, therefore, see a reduction in Member States' contributions.

The third scenario focuses on those Member States are in a position to contribute more towards the EU's financial state of affairs. As such, Member States would have the option of giving extra contributions to the budget, with these extra contributions going towards specific areas of interest. The priorities of this scenario are similar to those of the first scenario. This system would be open to all Member States capable of contributing additional funds to the EU budget, thereby also allowing them to influence the direction of the EU's finances, and the programmes and policies receiving the most funding.

The fourth scenario focuses on prioritising policies and programmes which have a strong EU-added value, such as climate change and social inclusion. As a result, there would be significant reduction in financing other areas such as Cohesion Policy and the CAP. The focus of the Cohesion Policy would be on the poorer regions of the EU as well as on issues pertaining to employment, climate change and social inclusion. This scenario also brings forward new priorities related to security, defence, and home affairs.

The final scenario looks towards increased investment in all policy areas. This would entail a more focused reform having a much wider scope to that highlighted in the fourth scenario. This would also require new sources of revenue for the EU budget in order to finance a more ambitious budget, with all 27 Member States contributing. This is the most ambitious scenario of the five, as maintaining increased funding for all policy areas would be a major challenge for both the EU and its Member States.

Ultimately, it is intended that the proposed reforms come into force after 2020, by which time it is expected that negotiations with the UK are concluded. The European Commission will be examining reactions to its proposals. Commission President Jean-Claude Juncker is due to give his own personal views during his State of the Union address to the European Parliament this coming September 13.

The EU budget will need to be simpler, more flexible, more streamlined and must enable more efficient spending. The final objective of the reflection paper is to stimulate a debate within the EU in order to ensure that the future is beneficial for all. MEUSAC will pursue its work on one of its main functions, namely to stimulate and lead a national debate on European ideals, values, objectives and long term strategies, and will be looking to organise events related to the European Commission's reflection papers in the near future.