



EUROPEAN COMMISSION

Brussels, 30.7.2018
C(2018) 5186 final

Dear President,

The Commission would like to thank the Tweede Kamer for its Opinion on the post-2020 Multiannual Financial Framework.

The Commission acknowledges the relevance of the issues raised by the Tweede Kamer regarding the future European Union expenditure, the efficiency and effectiveness of the budget of the European Union as well as regarding its revenue. A key consideration underlying the Commission's proposals for the Multiannual Financial Framework post-2020 is indeed the European added value of the spending programmes.

In the preparation of its proposals for the 2021-2027 Multiannual Financial Framework, the Commission has built on the open and inclusive debate launched in March 2017 with the White Paper on the Future of Europe, and in June 2017 with the Reflection Paper on the Future of EU Finances.

The Commission welcomes the contribution of the Tweede Kamer to the debate. Commissioner Oettinger had an opportunity to have a first exchange of views on the questions and issues raised in the Opinion in January 2018 on the occasion of his visit to the Netherlands and again during the visit of the Standing Committee on European Affairs' Chair and Members to Brussels.

The Commission has listened carefully to national Parliaments, to the Member States, to the European Parliament and to the discussions held in the context of the Informal Leaders' Meeting in February 2018. The Commission has also listened to citizens and to the final beneficiaries of European Union funding, in the framework of citizens' dialogues held in all Member States, and of the public consultations carried out between January and March 2018, with more than 11,000 responses received.

Between 2 May and 14 June 2018, the Commission presented a comprehensive package for the 2021-2027 long-term budget, including sectoral legislative proposals for programmes supporting and implementing European policies.

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The Commission sees a number of common elements in its proposals with the approach developed by the Tweede Kamer, in particular in relation to the alignment of the Union budget with the Union's priorities, and setting European added value, effectiveness and efficiency as core principles of the European Union's budget action.

Our proposals are pragmatic and realistic and strongly geared towards the top political priorities agreed by Leaders in Bratislava and Rome on the future of Europe. They aim to show how the European Union can respond to continued and emerging challenges, combining additional efforts with the necessary budgetary rigour and how we can move forward together with confidence and deliver on our common agenda.

Now that all proposals have been presented, the Commission would like to take the opportunity to address in more detail the technical questions raised in the Tweede Kamer's Opinion. The Tweede Kamer will find these elements in the Annex to this reply.

The Commission hopes that its proposals provide a solid basis for the negotiations to come. It looks forward to a constructive and positive debate with the Dutch government and with the Tweede Kamer on the next Multiannual Financial Framework and to continuing our political dialogue in the future.

Yours faithfully,

Elżbieta Bieńkowska

Member of the Commission

ANNEX

The Commission has carefully considered each of the issues raised by the Tweede Kamer in its Opinion and is pleased to offer the following clarifications.

Priorities for the 2021-2027 long term budget

- *Are the current expenditure items in line with future EU priorities? If so, why? If not, which priorities does the EU believe are future-oriented?*
- *What revisions have been made to expenditure and how did the decision-making process proceed on this matter?*
- *Are the current expenditure items not too high, in the sense of resources not being used for their intended purpose (underspending)? If so, how much? If not, why not?*
- *What new priorities does the European Commission anticipate in the new MFF? What is the budgetary extent of these new priorities in absolute figures and percentages? How much money is already being allocated to these priorities? Is there another way of achieving the objectives and output than with money? If so, how?*
- *How does the European Commission evaluate working with 'national envelopes', especially with regard to flexibility and the reduced opportunity for cross-border cooperation?*
- *How much of the budget (for common agricultural policy) is used for direct income support? Can the Commission indicate how much money goes to large companies and wealthy farmers who do not require these funds? If not, why is the Commission not in possession of this information?*

The Commission proposals for the 2021-2027 Multiannual Financial Framework (MFF) aim to provide the basis for an agreement on a new, modern long-term budget, tightly geared towards the political priorities of the Union at 27.

The Commission Communication 'A modern budget for a Union that protects, empowers and defends'¹ describes in detail the Commission proposals, to be delivered through a modernised EU budget. The Commission proposes in particular new and refocused priorities, through:

- ***A stronger focus on European added value.** The EU budget is modest in comparison with the size of the European economy and national budgets. This makes it vital that it invests in areas where the Union can offer real European added value to public spending at national level. Pooling resources can achieve results that Member States acting alone cannot. Examples include cutting-edge research projects that bring together the best researchers from across Europe, or empowering young people and small businesses to take full advantage of the*

¹ COM(2018) 321, <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2018%3A321%3AFIN>

opportunities the Single Market and the digital economy offer. Other instances when pooling resources helps us do more include catalysing key strategic investments. These investments hold the key to Europe's future prosperity and its leadership on the global Sustainable Development Goals. The same is true when it comes to equipping the Union to defend and protect its citizens in a fast-changing world where many of the most pressing issues transcend national borders.

- ***A more streamlined and transparent budget.*** *The Commission is proposing a more coherent, focused and transparent framework. The structure of the budget will be clearer and more closely aligned with priorities. The Commission proposes to reduce the number of programmes by more than a third, for example by bringing fragmented funding sources together into new integrated programmes and radically streamlining the use of financial instruments.*
- ***Less red tape for beneficiaries.*** *The Commission proposes to make rules more coherent on the basis of a single rulebook. This will drastically reduce the administrative burden for beneficiaries and managing authorities. It will facilitate participation in EU programmes and accelerate implementation. It will make it easier for different programmes and instruments to work together to boost the impact of the EU budget.*
- ***A more flexible, agile budget.*** *In an unstable geopolitical environment, Europe must be able to respond quickly and effectively to unforeseen demands. The Commission is proposing to build on existing mechanisms to make the budget more agile. This includes increasing flexibility within and between programmes, strengthening crisis management tools and creating a new 'Union Reserve' to tackle unforeseen events and to respond to emergencies in areas such as security and migration.*
- ***A budget that performs.*** *The EU budget can only be judged a success if it delivers tangible results on the ground. The Commission is proposing to strengthen the focus on performance across all programmes, including by setting clearer objectives and focusing on a smaller number of higher quality performance indicators. This will make it easier to monitor and measure results and to make changes when necessary.*

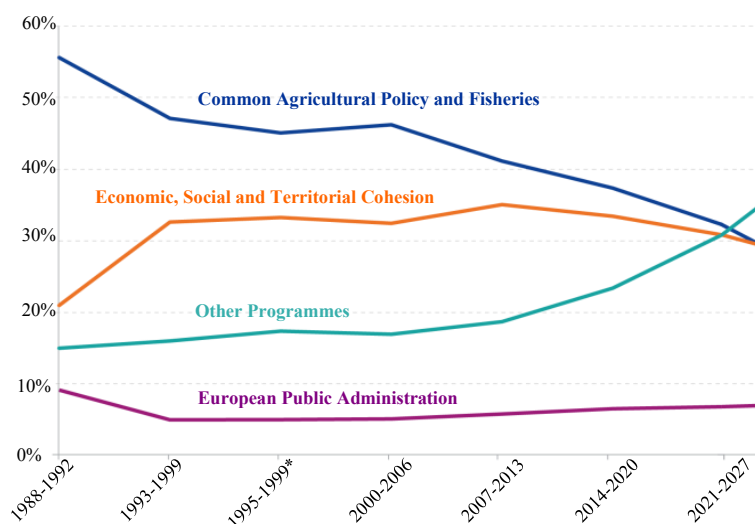
The Commission's proposals are based on a rigorous assessment of the resources needed to deliver efficiently on the Union's goals, and of the efficiency and added value of spending in each area. The key challenge for the future EU budget is to provide adequate support for new and existing priorities while also addressing the shortfall in national contributions resulting from the United Kingdom's withdrawal. The Commission has proposed a balanced approach, where new priorities are to be financed predominantly by new resources, and the shortfall arising from the United Kingdom's departure are partly matched by new resources and partly by savings and redeployments from existing programmes.

In order for the EU budget to make a meaningful contribution in many of the new priority areas, in particular where new instruments are being created, the Commission considers that current levels of funding will need to be increased. Investing now in areas such as research and innovation, young people and the digital economy will pay rich dividends for future generations. This is why the Commission proposes significant increases in priority areas, such as research, innovation, digital economy and space. Furthermore, over recent years, security threats have intensified and diversified in Europe. A strong, coordinated EU response is required. For this reason a new integrated Border Management Fund is proposed and the Asylum and Migration Fund as well as the Internal Security Fund are reinforced. Beyond internal security challenges, Europe faces complex external threats, therefore also external spending is reinforced in our proposal.

At the same time, the Commission has critically examined where savings can be made without undermining the added value of EU programmes. As part of this effort, the Commission proposes to moderately reduce the budget allocation to the Common Agricultural Policy and Cohesion Policy to reflect the new context and to free up resources for other priorities. The modernisation of these policies will allow them to continue to deliver on their core objectives while also contributing to new priorities.

The result of these changes will be a rebalancing of the budget and an increasing focus on the areas where the European added value is highest.

Evolution of main policy areas in the EU budget



*Adjusted for 1995 enlargement

Source: European Commission

The Commission proposal of 2 May provides detailed figures of levels of funding proposed for all policies and programmes for the 2021-2027 period.

The Commission presented between 29 May and 14 June the full package of legislative proposals for spending policies and programmes, accompanied by detailed impact assessments and the results of available evaluations and studies².

In relation to the Common Agricultural Policy, the Staff Working Document includes detailed data in relation to the results of quantitative and Multi Criteria Analysis carried out, including on direct payments³.

EU added value, spending review

- *Is current expenditure efficient and effective? If so, which studies indicate this?*
- *Have all the current budgets been examined to determine whether they were effective, if they can be closed, or if there are alternative methods of achieving the objectives? If so, are these studies available?*
- *With regard to determining the new MFF, has the Commission learned lessons through conducting a comprehensive evaluation of the effectiveness, added value and efficiency of the current MFF? If not, why not? If so, which lessons have been learned, and are these evaluations available?*
- *Does the EU apply an objective definition of EU added value? If so, what is the definition?*
- *Is this definition used as an assessment framework for expenditure items in the future MFF? If not, why not?*
- *Is the Commission aware of the amount of EU resources used for items that member states could address themselves without EU resources?*
- *The Netherlands has had good experiences with interdepartmental policy research in which budget items are examined with regard to efficiency and effectiveness, and in which scenarios are realised to ascertain the situation if the budget were cut by 20%. These studies are extremely helpful when seeking savings. The House of Representatives is aware that the European Commission also conducts studies of this kind, the Spending Reviews. What precisely is examined in these Spending Reviews, and do they illuminate opportunities for savings? Can these Spending Reviews be made public? If not, why not?*

As part of technical work underpinning the Commission MFF proposals, the Commission has carried out a spending review of all programmes in the current MFF in view of identifying options for better alignment to priorities, maximising EU added value, ensuring more efficient delivery mechanisms, synergies and complementarities and identifying overlaps.

This exercise entailed a broad strategic review that blends detailed bottom-up analysis of the current programmes with top-down policy guidance. The review took into account all

² All impact assessments were published along with the legislative proposals and are available on Europa: https://ec.europa.eu/commission/future-europe/eu-budget-future_en

³ SWD(2018) 301 https://ec.europa.eu/commission/publications/natural-resources-and-environment_en

information from multiple sources, internal documents, ex-post and interim programme evaluations as well as external sources such as special reports of the European Court of Auditors.

The findings of this spending review can be found in the Staff Working Document SWD/2018/171⁴.

While no single definition for EU added value exists, the Commission has looked carefully into this for the current set of spending programmes. Creating European added value is about achieving the objectives set out in the Treaty and helping to uphold fundamental values, rights and freedoms. It entails taking European action when it is more effective and powerful than national, regional or local action, by allowing the realization of projects which are only possible by acting together, by providing public goods of European dimension, by achieving better value for money through acting on the European level or by catalysing or complementing national or local initiatives.

The spending review has demonstrated that many of the current generation of programmes score highly in terms of delivering EU added value. They respond to large-scale and/or cross-border needs and challenges and have generated results that could not be achieved by Member States acting alone. Examples of EU added value are given in the Staff Working Document. The Annex of the Commission Communication 'A modern budget for a union that protects, empowers and defends', further describes the added value of the next generation of programmes.

The spending review also contributed to identify room for improvement, particularly in terms of programme implementation. For example, the increasing of number of spending programmes over time has resulted in some cases in fragmentation, overlaps and an inability to fully exploit the synergies between different funding sources, that led the Commission to propose the merging and streamlining of programmes, with a significant reduction in their number (from 58 to 37). Moreover, improvements in delivery mechanisms, financial rules, performance frameworks and ability to respond to crises were identified as necessary conditions to increase efficiency and effectiveness of spending programmes. These findings were taken into account in the impact assessments and reflected in the sectoral legislation proposed by the Commission.

For example, the spending review identified a risk of inefficient duplication and divergence in rules for financial instruments and budgetary guarantees, accordingly, the Commission has proposed to streamline and regroup them in the single InvestEU Fund. Another simplification is to make transfers between management modes easier. For example via the so-called 'Seal of excellence' approach, a project that has successfully passed the selection under the central EU research programme but cannot be financed due to a lack of funds in this programme may be financed from the EU structural funds.

⁴ <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1527239561812&uri=CELEX%3A52018SC0171>

Furthermore a single rulebook now covers seven EU funds⁵ implemented in shared management which will make life easier for the authorities dealing with one or several funds and facilitate synergies.

Is the European Commission prepared to make an annual National Declaration (or EU member state declaration) regarding the management of EU subsidies obligatory for each EU member state? If not, why not?

The idea of obligatory National Declarations regarding the management of EU programmes was intensively discussed among European Institutions some years ago. In that context, the Commission prepared in 2011 a working document to provide technical guidance on national declarations for those Member States who were voluntarily preparing one. Since then the assurance process in the Commission as well as in the Member States has evolved under the 2014-2020 Multiannual Financial Framework, and current reporting instruments provide reasonable assurance on EU spending in the Member States.

⁵ The European Regional Development Fund, the Cohesion Fund; the European Social Fund+, the European Maritime and Fisheries Fund, the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument.