EUROPEAN COMMISSION

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Dear Baroness D'Souza,

The Commission would like to thank the House of Lords for its Opinion on the Communication on proposals for the next Multiannual Financial Framework {COM(2011)398_403_500_510_511_512 final}, and apologizes for the delay in replying.

The proposals that were tabled by the Commission on 29 June 2011 and to which you refer have since been supplemented by the adoption, between October and December 2011, of a full range of proposals for sectoral programmes and instruments designed to implement the next financial framework. These proposals provide more extensive information on the Commission's approach in the relevant policy areas, some of which are mentioned in your Opinion.

The Commission welcomes the recognition by the House of Lords of the European added value of the financial framework proposal as well as of the importance of the link to the implementation of the Europe 2020 strategy. The EU budget is a budget for investment across the Union, which will foster innovation and growth and help strengthen the internal market. It should deliver the necessary financing for key policies and reinforce support for areas that are crucial for the EU's future development and prosperity. The European Union faces a variety of major challenges, such as the interconnection of Europe's energy, transport and ICT networks. Such challenges can be addressed most effectively at EU level.

The Commission takes note of your views on the size of the financial framework and the need to reflect budgetary restraint at national level. The Commission is fully aware of the budgetary consolidation under way in Member States and has taken this into account when presenting a budget proposal that is both realistic and ambitious.

Cohesion policy will continue to make a major contribution to convergence and growth in Member States, which is especially important in the current economic conditions. The Commission has proposed a number of important improvements in cohesion policy including better alignment with the Europe 2020 strategy, a focus on a smaller number of priorities, strengthened performance incentives and conditionalities and stronger emphasis on financial engineering and leverage funding. The proposed Common Strategic Framework will provide clear strategic orientations for all EU funds concerned and translate the Europe 2020 objectives into investment priorities.

The Rt. Hon. Baroness D'Souza
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The Commission is aware of the concerns that have been expressed about macroeconomic conditionality. However, this is an integral part of the Commission's proposal and strengthens the link between the EU budget and the reinforced economic governance framework. Moreover, the Commission would like to underline that the ultimate suspension or cancellation of funds is foreseen as a measure of last resort, at the end of a carefully sequenced process that would give the Member State concerned ample opportunity to take corrective action. The purpose of conditionalities is primarily to reorient structural funds spending where it can bring the highest EU added value in terms of growth and job creation.

On the Common Agricultural Policy, the Commission takes note in particular of the House of Lords' view that evolutionary change is more likely to succeed than a more radical approach. The Commission's proposals for the reform of the CAP after 2013 foresee more targeted income support and a fairer distribution between farmers, regions and Member States, within the wider objectives of strengthening the competitiveness, sustainability and permanence of agriculture throughout the European Union. A key element of the Commission's approach is the proposed greening of direct payments to enable optimal use of natural resources and to contribute to the protection of the environment and to the fight against climate change.

Concerning the proposed Connecting Europe Facility, the Commission considers the amount of EUR 50 billion essential to enable the completion of key priority connections and links of pan-European interest, in full respect of national competences. Though essential for the future of the internal market, the evidence strongly suggests that these investments would not be realised without a genuinely European approach.

With regard to the placing of the large scale projects ITER and GMES outside the MFF, the Commission's intention is to give more flexibility to the EU budget. The MFF is not well-suited to the financing of large-scale projects of this type and the overall costs and/or the risks of cost overruns are too significant to be borne only by the EU budget. The EU should however continue to fully meet its international commitments for these projects.

On the financing side of the budget, the Commission is convinced that there is a need to re-align EU financing with the principles of autonomy, transparency and fairness and to ensure that the EU is able to achieve its policy objectives. The Commission believes that its proposals for new own resources would ensure a fair distribution of burden across the Member States and the critical mass necessary to reduce substantially Member State contributions to the EU budget. The current system, which is overly dependent on direct contributions from the Member States, does not ensure neutrality and is not consistent with a budget focused on delivering EU added value.

The Commission hopes that these clarifications address the issues and concerns raised in your Opinion and looks forward to continuing the political dialogue with the House of Lords, particularly on the future financing of the European Union budget.

Yours faithfully,

Maroš Šefčovič
Vice-President