

The Federal Government's positions on the EU Multiannual Financial Framework (MFF) post- 2020¹

Lasting peace and increasing prosperity in Europe over the past 60 years testify to the tremendous achievements of European integration. Our task now is to put the European Union in a position that will enable us to continue to pursue our common goals courageously, and to achieve them. One part of the process of renewal concerns the EU budget.

The EU is facing a **host of internal and external challenges**. These include in particular the areas listed in the **Rome Declaration of 25 March 2017** – regional conflicts, terrorism, growing migratory pressures and social and economic inequalities – but also economic strength and competitiveness in the global context, as well as, *inter alia*, climate and energy issues and demographic change. With the Rome Declaration, the heads of state and government set **priorities for the future of Europe**, and the modernisation of EU finances must be oriented to these priorities in those areas where the goals can be better achieved through joint European expenditure than through national funds alone: a safe and secure Europe, a prosperous and sustainable Europe, a social Europe, a stronger Europe on the global scene.²

New challenges require the Union to act with resolve. This also means reconsidering long-established principles. The Federal Government therefore encourages the Commission to present an **ambitious proposal for a new Multiannual Financial Framework (MFF)**. The **caesura** brought about by the United Kingdom's withdrawal from the Union **should be regarded as an opportunity to review** the EU's finances and orient them to the EU's current common challenges. In this context, the efficiency and effectiveness of all areas of

¹ Following the Bundestag elections on 24 September 2017, there is an acting Federal government until a new Federal Government is established and takes office. For this reason, the following positions are preliminary and are restricted to a number of qualitative aspects. They are without prejudice to future decisions by a new Federal Government, including key points of the future MFF which are not mentioned in this text.

² The aforementioned priorities each comprise several goals. For details, see the Declaration of the leaders of 27 Member States and of the European Council, the European Parliament and the European Commission of 25 March 2017 (Rome Declaration).

expenditure should be scrutinised. The expenditure structure and allocation of funds should be systematically focused on current priorities, challenges, key issues of the future and creating European added value. Setting new priorities implies that other areas will take a back seat. However, in order to avoid structural ruptures, the reliability of existing EU policies should not be fundamentally called into question in this reorientation process.

For decades, in line with the size of its economy, Germany has made the highest contributions in absolute terms to the EU budget. A very large proportion of this funding flows to other Member States. This is an expression of Germany's willingness to support other Member States and to invest in the further development and strengthening of the Union. Solidarity is one of the EU's fundamental values. This should express itself in the **Member States' showing solidarity** in the different policy areas, and should also be reflected in the EU's finances.

In view of the major challenges to the future of Europe, Germany intends to continue to make an appropriate contribution to the EU's budget and to strengthen the EU so that it can fulfil its tasks. At the same time, it is clear that the future funding system also needs to ensure fair burden-sharing and avoid budgetary burdens that are excessive in relative terms. In the United Kingdom, the EU is losing one of its major contributors. Dealing with this financing gap will undoubtedly be a particular challenge. The financial framework must in itself reflect the size of the EU's economy and requires strict budgetary discipline, efficient use of funds and reliable ceilings for all areas. Ultimately, the next Multiannual Financial Framework will essentially depend on these parameters: European added value of expenditure, orientation of EU funding to the EU's priorities and the challenges it is facing, enhancing competitiveness and promoting structural reforms, sustainability, mutual solidarity among the Member States, economic strength and fair burden-sharing.

The Federal Government regards the following principles as crucial in drawing up the MFF post 2020:

- **Achieving the greatest possible European added value:** The European added value of joint funding can typically be found in cases where the Member States are not in a position to act alone given the dimension of an EU public good, or where resources can be used or administered more efficiently at EU level than at national level (e.g. owing to cross-border effects or synergies of EU programmes and EU policies) and cannot be provided by the private sector, or where there are common challenges, e.g. with regard to displacement and migration, in particular when it comes to protecting external borders, combating terrorism and organised crime, and cooperating with third countries. European added value can also be created where European funding can give a markedly more effective stimulus, for instance for sustainable growth and employment, than national or regional means alone.

- **Creating more flexibility:** As in recent years, the EU will have to be in a position to respond rapidly to new challenges in future, too. The Federal Government is therefore in favour of substantially increasing flexibility within the MFF ceilings, particularly within and, where necessary, between individual headings, for example by building in adequate margins. In this context, it must be ensured that all Member States and all beneficiaries of EU programmes have adequate planning and legal certainty. The various flexibility instruments should be unified and consolidated within the MFF. The seven-year duration of the MFF should be retained.
- **Taking to heart EU values and principles:** EU values are the foundation for the cohesion of the Union. The EU regards itself as a community of peace, freedom, democracy, human rights and the rule of law. Taking account of these values can underpin the purposes of sectoral policies. For instance, heeding fundamental rule of law principles is an important precondition for a sound investment environment. We have therefore called on the Commission to examine the extent to which receiving EU cohesion funding can be linked to compliance with fundamental rule of law principles, and we welcome the fact that it has taken up this idea in its Reflection Paper.
- **Supporting the implementation of structural reforms:** Greater importance must be attached in the future MFF to supporting the implementation of structural reforms in the Member States. The closer links between the country-specific recommendations (CSRs) and the European Structural and Investment Funds (ESIF) introduced in the current funding period should be continued, further developed and, where appropriate, extended to other relevant EU expenditure. In future, even more systematic and effective account should be taken of relevant CSRs when drawing up common strategy documents and programmes in the Member States. In order to be able to provide financial underpinning which might become necessary for any adjustments to the programmes during the funding period, an appropriate flexibility reserve should be held. In this connection, it should be ensured that there is a coherent and reliable framework for achieving structural policy goals. Ex ante conditionalities have proven their worth in this context and should be extended. Similarly, the macroeconomic conditionalities should be retained, applied more consistently and further developed.
- **Improving the transparency and efficiency of EU finances and preserving budgetary unity:** As a matter of principle, all EU expenditure should be included in the MFF. The MFF table should be expressed in current prices (as distinguished from constant prices) so as to make it transparent to citizens what the EU is worth to us. This would already comprise an appropriate inflation deflator.
- **Investing EU funds more efficiently:** As the overall positive experience gathered in recent years has shown, EU funding in appropriate areas – both within and outside the EU – can spark investments by encouraging other actors, particularly in the private sector, to make the actual investment. If financial instruments play a greater role in

financing investments in some areas, this can further enhance the effectiveness of limited EU funds. In areas of co-financing, the EU share of co-financing should in future be reduced at least to the pre-crisis level in order to increase national ownership, and no more exceptions should be allowed.

- **Strengthening the EU as an actor in foreign, security and development policy in a less comfortable world:** Europe is being confronted by increasing challenges, both in its immediate neighbourhood and globally. Common security and defence-policy tasks must be fulfilled using suitable financing instruments – in the first instance from the EU budget, but also, where necessary, from extrabudgetary resources. This applies to both closer cooperation on defence policy in the areas of research and capabilities and generally to capacity building for security and development. Effectively tackling the causes of displacement and irregular migration and shaping refugee and migration policy are important goals and need to be taken more into account in EU spending. To this end, it must be possible to use EU funds in a flexible and controllable manner. Harmonising relevant external financing instruments with a view to creating greater coherence as well as a budgetization of the European Development Fund can generate synergies in the financing of European development cooperation. Alongside development cooperation and poverty reduction (including inter alia devising a stronger and more coherent EU-Africa strategy), the stabilisation of crisis and conflict regions, humanitarian assistance, pre-accession assistance for candidate countries and the special relationship with our immediate neighbours must continue to play a key role.
- **Tackling the challenges of migration and integration:** An effective, responsible and sustainable migration, integration and returns policy requires the cooperation and solidarity of all EU Member States. This understanding must be at the basis of the next MFF, inter alia via the effective implementation of the Common European Asylum System (CEAS) and the intensification of joint efforts in the fields of asylum, migration and integration in the EU. The allocation of funds for these tasks has to take account of the high migratory pressure since the migratory flows of 2015/2016 and the number of migrants taken in by individual Member States. In many Member States, regions and municipalities have assumed responsibility for taking in and integrating beneficiaries of international protection or migrants with the right to stay. Given the European dimension of this challenge, the ESIF must support those Member States and regions in particular which have taken up this challenge. This should be reflected in the distribution criteria, too.
- **Modernising and simplifying the Common Agricultural Policy (CAP), enhancing rural development:** If the common agricultural policy (CAP) is to take the necessary account of the current environmental, economic and social challenges, it must be further developed and modernised. Better use must be made of rural regions' development potential so that they remain attractive spaces for living, business, and nature. In this

context, the CAP should in future be more strongly oriented towards achieving goals and results. This very adaptation of the system must go hand in hand with perceptible simplification. In future, the agricultural sector needs to play a greater part in meeting the challenges of protecting the climate and environment, preserving biodiversity and ensuring animal welfare. It is also incumbent on the CAP to take investment-related measures to respond to demographic change in rural areas, preserve and expand existing infrastructure and increase value creation in rural areas. The varying economic conditions in Member States and the differing contributions made by Member States to meeting the aforementioned challenges must be taken into account when distributing funds.

- **Taking account of important horizontal functions and key issues of the future across areas of expenditure:** It has proven useful for horizontal functions to flow into instruments in other policy fields. By this token, the MFF as a whole should contribute to the implementation of the 2030 Agenda for Sustainable Development. A climate protection quota should be retained, but its practical implementation improved, particularly in terms of transparency and focusing on results. Similarly, more attention should be paid to nature conservation. In addition, research, innovation and digitisation should be anchored as horizontal functions and key issues of the future. In the field of education, youth exchanges and youth mobility in particular should be enhanced.
- **Simplifying the own resources system:** The current own resources system guarantees fair burden-sharing, particularly via GNI-based own resources. It could, however, be simplified. In particular, VAT-based own resources should be abolished.