European Commission

EU BUDGET FOR THE FUTURE

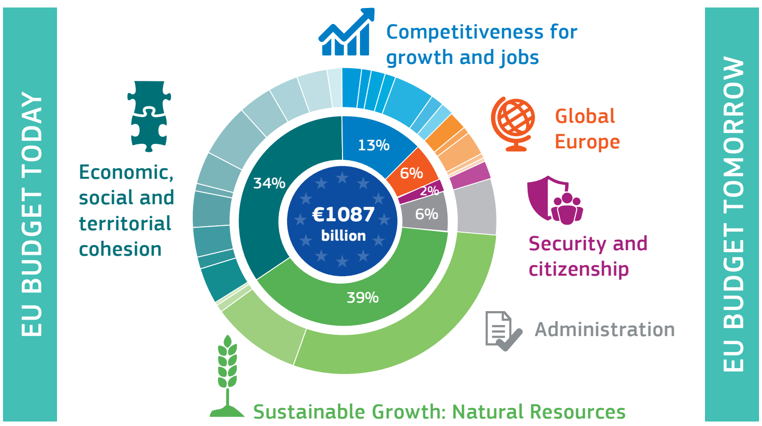
#EUBudget #EURoad2Sibiu #FutureOfEurope

14 February 2018

WHAT KIND OF EUROPE FOR OUR FUTURE?

Every seven years, the EU Leaders have an opportunity to choose the kind of Europe they want - and to decide unanimously on how to finance their joint ambition to build it.

A Europe limited to the Single Market does not need large funding programmes. A Europe that chooses to do more together needs the resources to match this wider ambition. Below are some options to illustrate possible choices - neither exhaustive nor reflecting necessarily the Commission's position.



In his State of the Union Address of 2016, President Juncker called for a *Better Europe – a Europe that Protects, Empowers and Defends*.

Rome Declaration 2017 - EU Leaders have pledged to work for:

1. A **safe and secure** Europe
2. A **prosperous and sustainable** European Union
3. A **social** Europe
4. A **stronger** Europe on the global scene

Eurobarometer 2017 - EU citizens are concerned about:

- TERRORISM / SECURITY
- MIGRATION
- ECONOMIC SITUATION
- UNEMPLOYMENT
- CRIME
- EU'S INFLUENCE IN THE WORLD
- CLIMATE

HOW CAN THE EU BUDGET SUPPORT BETTER MANAGEMENT OF THE EU'S EXTERNAL BORDERS?

CURRENT SITUATION

The European Border and Coast Guard Agency was set up in 2016. By 2020, it will have a staff of 1,000 and an annual budget of €335 million. The Agency is currently deploying almost 1,200 border guards to support Member States at the external borders, with an additional pool of 1,500 border guards on standby in case of emergency. The EU also co-finances national management of the EU external borders through the Internal Security Fund.

The current total budget over a seven year period amounts to **€4 billion, 0.4% of the total EU budget**.

CURRENT EUROPEAN BORDER AND COAST GUARD DEPLOYMENTS:

724 officers in Greece

221 officers in Italy

103 officers in Bulgaria

85 officers in Spain

56 officers in the Western Balkans

ALMOST 1,200 OFFICERS ACROSS THE EU

SCENARIOS

1 **Exploiting the existing European Border and Coast Guard to the maximum** would support the continuous development of the information exchange framework and ensure that it has access to the relevant equipment.

Required budget over a seven year period: **€8 billion**, 0.8% of the total EU budget.

2 **Upgrading the European Border and Coast Guard**

- Reinforcing the existing tools related to risk assessment and situational pictures
- Stepping up the operational capacity of the agency with a standing corps of European border guards of at least 3,000 EU staff
- Providing financial support and training for the increase of the national border guard component in vulnerable Member States
- Providing bigger and more operational expert pools
- Reinforcing own equipment

Required budget over a seven year period: **€20–25 billion**, 1.8–2.3% of the total EU budget

3 Establishing a **full EU border management system** would imply 100,000 EU staff and a substantial EU equipment pool, comparable to the US or the Canadian system.

Required budget over a seven year period: **€150 billion**, approximately 14% of the total EU budget and **the equivalent of an annual EU budget**.

	European Border and Coast Guard	Customs and Border Protection Agency
Length of coastline	65,900 km	19,900 km
Length of land border	13,200 km	12,000 km
Annual budget	€335 million	€11 billion

Source: Central Intelligence Agency, The World Factbook, https://www.cia.gov/library/publications/the-world-factbook/geos/ee.html

HOW BEST TO SUPPORT A TRUE EUROPEAN DEFENCE UNION?

CURRENT SITUATION

The **European Defence Fund** was launched in June 2017. It has a budget of €90 million for defence research and €500 million for industrial development (approximately 0.05% of the current EU budget). It can only support a limited number of collaborative research and development projects. A true European Defence Union would require a significant budgetary investment over the next seven years.

France and **Germany** are each individually spending **more than €1 billion per year on defence research.**

SCENARIOS

1 The **research** window of the Fund would need an estimated budget of at least **€3.5 billion** over seven years to make a substantial difference.

2 At least around **€7 billion** would be needed to co-finance a part of the cost of defence industrial development. This would allow leveraging a significant total investment for the development of defence capabilities of **at least €35 billion** over seven years.

3 A separate funding mechanism of **around €10 billion** would significantly increase the EU's ability to financially support **operations with defence implications** over seven years.

WHAT LEVEL OF AMBITION FOR AN EFFICIENT COMMON AGRICULTURAL POLICY?

CURRENT SITUATION

The Common Agricultural Policy mobilises around €400 billion to finance market measures, direct payments for farmers and rural development programmes to promote sustainable agriculture and viable rural economies. Direct payments represent around 70% of this amount.

Today, 80% of direct payments go to 20% of farmers. Changes to direct payments can provide an opportunity to focus payments on expected results, such as sustained agricultural production in less profitable or mountainous regions, focus on small and medium sized farms, investments in sustainable and resource efficient production systems and a better coordination with rural development measures. Ways to reduce differences of agricultural support between Member States are also being discussed

SCENARIOS

1 Maintaining the **current** expenditure levels which would, through better targeted support, allow increasing support in particular for small and medium sized farms with positive knock-on effects for rural areas.

Total expenditure over seven years: ca **€400 billion**[1], 37% of the EU budget.

2 A **reduction** of support **by 30%**. This scenario could see average farm income drop by more than 10% in a number of Member States and potentially more pronounced income drops in specific sectors.

Such reduction would represent ca **€120 billion**, 11% of the EU budget.

3 A **reduction** of support **by 15%**. In this scenario, the reduction of average farm incomes could be more limited but would still have a noticeable impact in certain sectors.

Such reduction would represent ca **€60 billion**, 5.5% of the EU budget.

[1] Around €27 billion of that amount are preallocated to the United Kingdom, corresponding to approximately 7% of the total Common Agricultural Policy.

HOW BEST TO SUPPORT THE MOBILITY OF YOUNG PEOPLE?

CURRENT SITUATION

After 30 years, Erasmus+ has helped nine million young people in the EU (less than 4% of all the young people in the EU) to study, train, teach or volunteer in another country. The current Erasmus+ programme has a budget of €14.7 billion (1.3% of the EU budget).

SCENARIOS

1 **Doubling the number of young people** in the EU participating in Erasmus+ to reach 7.5% of young people in the EU.

Required budget over a seven year period: **€30 billion**.

2 Providing the opportunity for **1 in 3 young people** to participate in an Erasmus+ learning experience abroad.

Required budget over a seven year period: **€90 billion**.

WHAT LEVEL OF AMBITION FOR AN EFFICIENT COHESION POLICY?

CURRENT SITUATION

Support from the European Structural and Investment Funds is currently available to all EU Member States.

SCENARIOS

1 Maintain the **current** level of support for all Member States and all regions to maintain a strong focus on investment across all regions in areas like innovation, climate action, industrial transformation, and on skills and education.

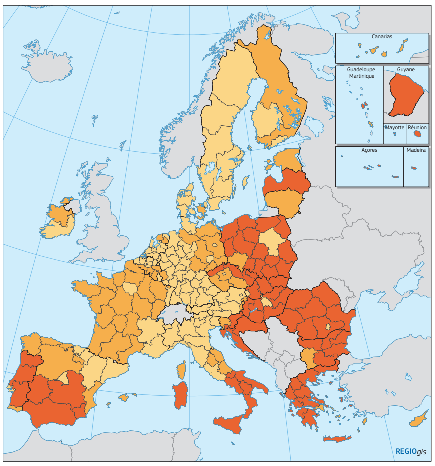
Total expenditure over seven years: **€370 billion**[2], almost 35% of the EU budget.

2 **End** the support of European Regional Development Fund and the European Social Fund for **more developed regions**. In this scenario, support for regions in Austria, Belgium, Denmark, Finland, mainland France, Germany, Ireland, the Netherlands, Sweden and many regions in Italy and Spain would be discontinued

Total reduction: ca **€95 billion**, 8.7% of the EU budget.

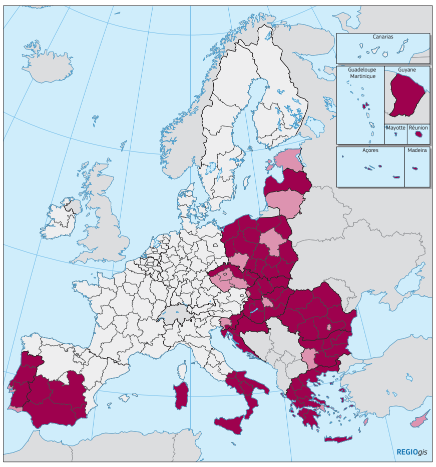
3 **Limit** the support even further to **cohesion countries**. In this Scenario the investment for less developed regions in countries like France, Italy and Spain would also need to be discontinued.

Total reduction: ca **€124 billion**, around 11% of the EU budget.



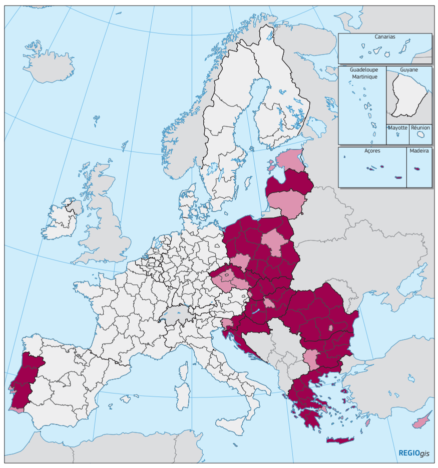
SCENARIO 1: SUPPORT FOR ALL EUROPEAN REGIONS CONTINUES

Categories of regions
- **LESS DEVELOPED:** GDP/head < 75% of EU-27 average
- **TRANSITION:** GDP/head >= 75% and < 100% of EU-27 average
- **MORE DEVELOPED:** GDP/head >= 100% of EU-27 average



SCENARIO 2: SUPPORT FOR LESS DEVELOPED REGIONS AND COHESION COUNTRIES

Potentially eligible regions
- REGIONAL SUPPORT
- COHESION FUND SUPPORT
- OTHER REGIONS



SCENARIO 3: SUPPORT FOR COHESION COUNTRIES ONLY

Potentially eligible regions
- REGIONAL SUPPORT
- COHESION FUND SUPPORT
- OTHER REGIONS

[2] Around €12 billion of that amount are preallocated to the United Kingdom, corresponding to approximately 3% of the cohesion envelope over the period.

SHOULD EU FUNDING BE MORE CONDITIONAL?

The potential of the EU budget can only be fully unleashed if the economic, regulatory and administrative environment in the Member States is supportive. This is why, already under the current EU budget Member States and beneficiaries must demonstrate that their financial management is robust and that the necessary capacity exists to make EU funding a success. In the same vein, the current rules aim at avoiding situations where the effectiveness of EU funding is undermined by unsound economic and fiscal policies. The new EU budget is an opportunity to look at whether these principles have created a solid platform for results. It is also the moment to consider how the link between EU funding and the respect for the EU's fundamental values can be strengthened.

Any such mechanism would however need to be transparent, proportionate and legally watertight. While it could in principle apply to all relevant policies involving expenditure from the EU budget, any financial conditionality would need to be precise, proportionate and require a sufficient connection between the conditions imposed and the aim of the funding. This debate will also need to consider the impact of possible breaches of fundamental values or the rule of law at national level on the individual beneficiaries of EU funding, such as Erasmus students, researchers or civil society organisations, who are not responsible for such breaches.