



The Greens | European Free Alliance
in the European Parliament

The Multiannual Financial Framework **2014-2020**

Green Investment now!

***Why we voted against the MFF and
what a Greens/EFA EU Budget would look like.***

28 June 2013

After months of negotiations the European Parliament has agreed to the European Council's demand to slash the new Multiannual Financial Framework (MFF). The general lines for the European Union's annual budgets from 2014-2020 have therefore been determined. The Greens/EFA group has decided not to follow the majority of the house and has rejected the final deal.

The heads of states and governments together with the conservative-socialist-liberal majority in the European Parliament have missed an important chance to effectively address the challenges Europe is facing. In order to prosper, we need to combine existing efforts on budgetary solidity with additional investment policies that can successfully stimulate sustainable development. The European Budget has an important role to play in bringing our continent back on the track of sustainable development, green economic competitiveness and social inclusion. By slashing the MFF by almost 9% in comparison to the budget freeze proposed by the European Commission, the backward-looking alliance in Council and Parliament has made a future oriented investment policy impossible.

The agreed MFF perpetuates the backward-looking priorities and content of past EU budgets. The new MFF again falls short on delivering the necessary investments in research and innovation, education, youth, sustainable infrastructure and development aid. The same heads of states and governments that announce to the media that education and research are the strategic priority of the EU 2020 Strategy, now refuse to grant it the necessary financial resources.

The deficiencies of the past budgets are all too obvious and it is all the more shocking that the heads of state and government, together with the Parliament's conservative-socialist-liberal majority, decided to repeat them. For example, the Common Agricultural Policy which makes up a large part of the overall budget, continues to subsidize the agro-industrial giants on a large scale and still lacks effective, compulsory ecological standards.

Furthermore, the new MFF shows worrying signs of re-nationalization. Too often the common European interest has been set aside when member states were negotiating exclusively for their own advantages and aimed at cheap populist victories with the national press. With the Territorial Cooperation Objective within the cohesion policy being cut by over 35 %, the new MFF will reduce trans-national, trans-regional and trans-border cooperation dramatically. At a time when Europe needs to come closer together in order to overcome the crisis these cuts are a step in the wrong direction.

We strongly criticize the majority of parliamentarians for giving in too quickly to member states' demands. Willingly they have dropped the ambitious initial position of the European Parliament. The claims made in the parliamentary resolutions, voted with an overwhelming majority, were abandoned at the first sign of Council opposition. The few concessions made by the Council are modest.

We continue to demand a sustainable revision of the MFF by the newly elected Parliament and will not stop fighting for a modern, ecological and future oriented EU budget directly financed by own resources.

The flawed EU budget plan (2014-20) and the Greens/EFA alternative

After months of negotiations the European Parliament agreed to the demands of EU governments to slash the original proposals on the EU Multiannual Financial Framework (2014-20). The Green/EFA group is opposed to the final deal, as it fails to deliver on any of the red lines identified by the European Parliament prior to the negotiations.

6 reasons the Greens/EFA oppose the EU budget deal

1. Excessive cuts: The agreement means an €85 billion reduction (around 9%) to the original proposal from the European Commission, which was in itself a budget freeze. This means diminished resources for the EU in spite of the significant growth in competences resulting from the Lisbon treaty and the EU 2020 strategy. Slashing the budget will prevent the EU from responding to the challenges we are facing, in spite of the value-added nature of EU funding.

2. Backward-looking priorities: The agreement will lead to cuts in future-oriented spending like research and innovation, education, social inclusion, development aid or youth policies, whilst maintaining unproductive and backward-looking spending in common policies. Instead of being a forward-looking programme to advance Europe's economy and society, the Multiannual Financial Framework will be a shopping list of national hobby horses.

3. Unsustainable spending continues: Unsustainable spending on vanity projects or outdated subsidies will not be hit. Direct payments to farmers under the Common Agricultural Policy should be much more significantly curtailed. Spending on unsustainable infrastructure projects should have been cut back. The EU's disproportionate contribution to the ITER nuclear fusion project, which will lead to no concrete benefits over the coming years, should have been scrapped.

4. Perpetuating EU financial dependence: In spite of the glaring need to reform the current system by which the EU budget is financed predominantly by the contributions of member states, this agreement will lead to no change in the situation except for the creation of additional rebates. The Greens/EFA believe there is a need to greatly expand the EU's ability to finance its own budget through 'own resources'. The EU budget will instead remain subject to annual horse-trading at the whim of EU governments, completely undermining EU funding programmes.

5. An inflexible budget: The lack of flexibility in the EU's yearly budgetary system leads to constantly recurring crises of payment shortfalls. Despite this being a red line for Parliament, the final deal will do little to improve the current situation and will ensure the annual conflict between budget commitments and payments remains.

6. An undemocratic budget: The directly-elected European Parliament has the power to adopt or reject the Multiannual Financial Framework. This Parliament will now sign off on the 7-year budget plan even though it will only apply to the European Parliament and Commission from 2014 on i.e. when these institutions will have a different composition. To compensate for this, the Greens/EFA believe Parliament should have pushed for a proper revision clause, so that the next European Parliament can have a say on the budget framework under which it is obliged to work. By keeping the unanimity rule as the cornerstone for any change of the MFF, the deal will fail to deliver a meaningful post-electoral revision or sunset clause.

7 demands for a better EU budget

1. Fit for the task: We need an EU budget that is fit for the task. This means a budget with sufficient resources to respond to the new competencies given to the EU institutions under the Lisbon treaty, to fulfil the targets set in the EU 2020 strategy, to ensure a sustainable response to the crisis and to tackle the social and environmental challenges we face. Increasing the EU budget benefits the EU's member states and citizens, who benefit from EU funding.

2. Redressing the balance: While there is a need to boost EU funding for future-oriented policies, there are clearly many areas of the budget with unsustainable spending that should be cut. The Greens/EFA have identified €50 billion that need to be cut or reallocated in the EU budget. There is a need to get the balance right, ensuring a responsible EU budget, whilst promoting value-added spending.

3. A forward-looking budget: The EU budget is the perfect instrument to invest in revitalising the European economy in response to the crisis. Instead of cutting spending on education, development aid, research and innovation, we should be using the EU budget to promote future-oriented spending, maximising the added-value of a European approach. The same is true of cross-border challenges like promoting a sustainable energy and transport system and combating climate change.

4 Reorienting agricultural spending: EU agriculture funds amount to 39% of the overall budget (2014-20). Given the size, it is crucial that it is more fundamentally reformed to make it a more socially and environmentally responsible policy and to end current wasteful spending. Direct payments to farmers should be capped at €100,000/year/beneficiary - this would ensure small farmers can continue to benefit and prevent the CAP from bankrolling the agro-industry. Subsidies need to be linked to strict environmental and social standards.

5. Strengthening social solidarity: The EU budget should address the major social problems in Europe and beyond. Faced with high and ever-rising youth unemployment, the MFF should provide adequate funding to youth policies, like the Youth Employment Initiative, which promotes further education, training or employment. The budget should also deliver targeted support to the poorest European regions through cohesion funds. There is also a need to capitalise on the value-added approach of EU-level development aid to the world's poorest.

6. A financially independent EU: The Greens/EFA believe there is a need to greatly expand the EU's ability to finance its own budget through the introduction of 'own resources' (such as through revenues from a financial transaction tax). This would end the current dependence on national contributions, which leaves the EU budget subject to annual horse-trading at the whim of EU governments. This must go hand-in-hand with an end to opaque and unfair national rebates.

7. Binding post-electoral revision-clause: There should be a mandatory revision of the MFF after the 2014 European elections with Qualified Majority Vote in the Council. This will ensure the next Parliament can have a say on the 7-year budgetary framework under which it is obliged to work. It would also allow the EU budget to be adapted to take account of changed economic conditions or priorities.

The broken promise: The bad outcome for research, development and innovation, education and sustainable development

With its suggestion to increase investments in European Competitiveness, the EU Commission tried to meet the targets the Union had set itself in the EU 2020 strategy. The suggested increase has however been slashed during negotiations with heads of state. Whereas the overall MFF has been cut by almost 9%, the proposed investments in research and innovation, competitiveness and sustainability have been dramatically reduced by 24%, almost 3 times more than the average cut!

The cuts are clearly at odds with the promise the Union committed to, when agreeing to the EU 2020 targets. Contrary to what heads of state and government have repeatedly declared, there has been no move to make the field of research and innovation, which represents no more than 13% of the overall budget, a real EU political priority. Furthermore, small and medium size enterprises, the so-called "back-bone of our economy", today facing severe economic problems in several parts of Europe, have been once more neglected and provided with minimalistic attention within EU programmes.

- How can we invest 3% of EU GDP in research and development by 2020 without a stronger European budget leveraging public and private money to look for the sustainable solutions we urgently need?
- How can we support better exchange among Europeans, especially young people, if we don't support exchange throughout Europe?
- How can we effectively re-launch economic development if we do not provide sufficient and targeted to allow SMEs to fully play their role?

The missed opportunity: Setbacks in the Common Agricultural Policy

Even though our key demand for a greening of the Common Agricultural Policy, that not even the heads of state could refuse, can be claimed as a success, the overall compromise on the CAP is anything but satisfactory. Ecological criteria that farmers need to satisfy in order to get full EU funding have been considerably watered down. Whether greening provisions will be effective at all will strongly depend on member states' willingness to act.

We strongly criticize the fact that that the CAP's second pillar, which finances important rural development measures, has been more severely cut than first pillar direct payments. Heads of state and government have thus introduced a channel to shift money from the ecologically-important second pillar to the first pillar. For us it is simply unacceptable that 15% or, in the case of several member states, even 25% of second pillar money can be diverted to direct payments.

The member states have also failed to agree on a mandatory capping of direct payments. Greens/EFA asked for such a compulsory capping of direct payments at €100 000. The current inequitable set-up where 20% of farmers receive 80% of the overall subsidies must end.

- How can we support sustainable farming, organic food production and biodiversity if we don't help farmers who defend biodiversity and preserve the landscape?

Cohesion Policy: National Egotism won over the common good

We criticize the MFF deal on cohesion policy, as its cuts will fall in areas where funding is most urgently needed. The heads of state proposed to cut cohesion funds for countries in deep crisis, such as Greece, while some others will continue to get more! Moreover the Commission's proposal on the Territorial Cooperation Objective has been cut by 35%. This instrument finances trans-national and interregional projects and therefore fosters European integration. We criticize these cuts as anti-European and as the regrettable result of negotiations that are shaped by narrow national interests. The Member States refused to fix a minimum share for the European Social Fund while we have kept on fighting for at least 25% of Cohesion policy for ESF, as proposed by the Commission. And we reject the macro-economic conditionality which will condemn regions for mistakes made by others.

Even more so than in other areas, the negotiations, held behind closed doors in the European Council have been dominated by national interests, by the distribution of gifts to please national delegations and the granting of unjustified exceptions. We Greens/EFA condemn the opaque and unfair negotiations and the un-European deal.

We will continue fighting for a EU budget that fosters solidarity with the poorest regions and that helps regions and people to overcome the tremendous challenges posed by the crisis. We want investment in *"heads instead of cement"*. The introduction of the Youth Employment Initiative (€ 6 bn) is a first step in the right direction.

- How can we further reduce regional disparities if we do not strengthen investment in skills and employment?

Solidarity in times of crisis: Fighting Youth Unemployment

Because it allows for a certain transfer of financial resources from the wealthier to the poorest regions, and supports citizens who suffer unemployment, social exclusion and poverty, the European budget is an instrument of solidarity - notably in times of crisis. Therefore, one of the most positive outcomes of the negotiations is that the new MFF will introduce a Youth Employment Initiative. The Youth Initiative was a Greens/EFA proposal and we are strongly supportive of its introduction. It will guarantee young unemployed people the right to education, training or employment. It is an important expression of the shared responsibility for younger generations that have been hit particularly hard by the crisis. However, the budget of €6 billion allocated by the heads of state to the Youth Initiative is far from sufficient.

- How can we deliver a job, training or at least a qualification to all European young people, with only €6 billion?
- How can 20 million people be placed out of risk of poverty and social exclusion without ambitious and strong European support?

Commitments left open: Common Foreign Policy and Development Cooperation

The budgetary heading 4, Global Europe, has been hit particularly hard. According to the heads of state the Commission's proposal shall be cut by 16%. Consequently the

European Union continues to be deprived of the financial measures necessary to lead a credible common foreign policy as foreseen by the Lisbon treaty.

We Greens/EFA are particularly critical of the weak compromise in the field of the Union's Development Cooperation Policy. The EU and its member states have committed themselves to dedicating 0.7% of the EU's GNI to helping the world's poorest. With the final result of the MFF negotiations the achievement of this goal becomes even less likely. We Greens/EFA have always fought for a considerable increase in development aid, a field in which European added value is particularly apparent.

- How can we honestly respect our promise to spend at least 0.7 of EU GDP on development aid to poor countries without pooling our resources?

EU 2020 Strategy: A dramatic blow to the EU flagship

By setting common targets to be reached by 2020, the European Commission, European Parliament and Member States committed themselves to an ambitious agenda which should stimulate our competitiveness, strengthen solidarity and tackle climate change and resource depletion. However, the dramatic cuts in the MFF make the pursuit of this common agenda close to impossible. The member states must therefore take the blame for undermining the common goals and being politically untrustworthy.

- How can we cut our greenhouse gas emissions by 20%, have 20% of energy coming from renewables and increase energy efficiency by 20% without a European budget focused on tackling climate change?
- How can we reduce school drop-out rates to below 10% and have 40% of people completing third level education without a European framework financing lifelong learning, supporting student exchanges and stimulating educational programmes?

Making the right cuts: Lack of courage

We are just as determined to make the right cuts as we are determined to make the right investments. Given the current crisis of public budgets, we are obliged to identify areas where spending could be reduced or eliminated so that these resources can be shifted towards our Greens/EFA priorities.

We are determined to cut back on policies that are unsustainable and politically unsound. We have therefore identified an amount of €50 billion that could be shifted from current programs into new green policies. Moreover, we propose to green the content of all sectorial policies to radically transform EU funding and make the EU budget more sustainable.

We propose to support small farmers, sustainable food production and organic farming instead of intensive agriculture and GMO production. We want to concentrate the structural fund on renewables, energy efficiency, job creation and innovation rather than spreading funds and financing motorways. We call for shifting the transport funds from expensive and polluting road projects to sustainable railway, waterway and urban collective transport projects.

- How do we support a growing EU budget, if we are not able to make the right cuts?

Your 6 unanswered questions on the EU budget and the Greens/EFA answers

What does the EU budget finance?

The EU budget finances the growing number of competencies that member states have transferred to the Union such as the Common Agricultural Policy, the Cohesion Policy, research and innovation funding, the Common Fisheries Policy, the European Development Aid or Erasmus. The number of competencies has been further increased by the Lisbon Treaty, which has brought the EU new financial obligations.

Investment in future generations, renewing the European economic and social model, tackling climate change and global poverty all require responses at European level. The EU budget is the key driver for the change demanded by the Greens/EFA. Thus, an increased European budget is needed to fulfill the European competencies enshrined in the Treaty and to reach the climate targets that the EU has set for 2020.

- How can we support jobs creation and economic activity in Europe if we don't make sustainable investments throughout Europe right now?
- How can we support production of sustainable energy if we don't help researchers and investors look for alternatives to nuclear and oil?

What is the leading idea behind our budgetary policy?

Because together we are much stronger than the sum of our parts, because together we can respond to the challenges we have to face in the global world, because together we have the critical mass to change things on the ground, we believe that the European Union is our common house, our project.

We want to build a better, safer, more sustainable economy focused on jobs, sustainable and innovative development, new competitiveness and international solidarity.

At a time of severe austerity in national budgets, we have to deliver hope to EU citizens, especially the younger generations and the citizens of those southern European states hit particularly hard by the crisis. At the same time we need to invest in our future. But we cannot continue to spend as we currently do. We urgently need a shift towards a more sustainable European budget. Moreover due to high levels of public and private debt in Europe we have to explain where the money we want to invest comes from.

- We're not asking for EU taxpayers' money to be spent on Brussels; we're asking Brussels to invest money in EU citizens!

Why we need new own resources for the EU budget

While most national budgets are in deficit and member states are heavily indebted and under huge pressure from the financial markets, 75% of the EU budget is still supported by national contributions. By introducing new own resources, which would flow directly to the European budget, we could on the one hand increase the EU budget and on the other hand reduce national contributions in order to ease the need for fiscal consolidation at national level.

The current system financed via national contributions is no longer sustainable and must be replaced by a new system of own resources. The current system of rebates and re-rebates is unfair. It also turns the negotiations on the European budget into a battle over national interests in which European citizens as a whole are all too often set aside.

To finance our green investment plan and reduce Member states' contributions to the EU budget we defend the creation of an EU-wide Financial Transaction Tax. This tax would annually raise €57 billion from the financial markets. It would further stabilize the financial markets by reducing high-speed trading and would oblige the financial markets to pay their fair share towards economic recovery. Its introduction as an own resource could not only finance the EU budget but also reduce national contributions to the EU budget and would hence facilitate fiscal consolidation at national level.

We further advocate the idea of introducing additional own resources, such as revenues stemming from the auctioning of ETS certificates, carbon and energy taxes, a common consolidated corporate tax and the reform of the current VAT-based own resource.

- We're not asking for any transfers of sovereignty from member states to Brussels on taxation; we propose to pool member states' sovereignty to levy tax on financial markets!
- Did you know that the Lisbon treaty requires the EU budget to be financed by own resources and hence the national governments violate the EU Treaty every year?

The EU budget - A budget for Brussels?

When defending a strong European budget we are often confronted with prejudices such as that relating to the EU budget being eaten up by the EU's public servants' high salaries or the excessive costs of the Union's bureaucracy. The truth is that only 6% of the EU budget is used to pay for the entire EU administration, all its institutions and personnel, while in national or local budgets this share is much higher.

94% of the budget goes back to the member states or is used to finance the EU's foreign policy. The EU budget is hence not a budget for Brussels but for the EU member states, their regions and cities and of course EU citizens.

Nevertheless, the Greens/EFA are constantly looking into how the EU can further reduce its costs. Without endangering the full functioning of the institutions, we try to work on concrete measures to make our work more efficient. For example, we have identified potential savings with regard to the travel expenses of expatriate allowances of EU public servants.

Why not cut the EU budget in times of member state austerity?

Especially in times of crisis and austerity measures, we need to ensure that public money is spent in the most efficient way possible. Spending money at the European level does in many cases allow for a more efficient use of scarce financial means. We therefore advocate a budgetary policy which focuses on sectors that demonstrate a European added value.

The pooling of responsibility helps us to make considerable savings and has a positive leverage effect on private and public investments. Cooperation allows for synergies to be used and unnecessary administrative structures to be abolished. For example, the establishment of diplomatic representations of the EU allows for the closing of some of the 3100 national embassies and consulates.

In many cases trans-border investments are necessary to mobilize the full potential of the European economy. For example, thanks to money from the European budget a network of universities, research institutes and companies from the various EU member states has been formed, which boosts European research and innovation.

The European budget is also of key importance, because all too often single states hesitate to invest in transnational energy, railway and communication networks. All of which are of key importance for the single market and a strong EU economy.

- Did you know that €1 spent at EU level, particularly in the field of research and innovation, has a much stronger leverage effect than the same € spent by 27 Member states?

Why should a budget be political?

While fiscal policy is usually seen as a technocratic matter reserved for experienced people, a budget is primarily a strong expression of a political project that a group wants to defend, promote and build. There is no stronger tool in politics than a budget for showing the path politicians choose for the citizens. Today, European citizens are at a crossroad and European politicians have to clearly present the alternative

- Do we want to go back to the 20th century, living in our past, shut in our members states which would become too weak to compete with the emerging economies and being heavily indebted, would lose sovereignty to the financial markets, leaving the environment open to degradation?
- Or do we want to move forward to the 21st century, living free in a European Union strong enough to create jobs, strengthen solidarity and overcome globalization, fighting for the return of sovereignty through pooling at European level of the remaining sovereignty, while shifting the global economic model to one that protects the environment?

The battle over the European budget should not have been an accountancy battle behind closed doors among heads of state but rather a democratic and public process where the issues were clearly explained to the citizens.

- Did you know that from the beginning the heads of state, led by the European Council President, Herman Van Rompuy, refused to have public debates and provide explanations on the EU budget negotiations?