Sieps
Swedish Institute for European Policy Studies

2017:6

The Future of the EU Budget

Perspectives for the Funding of Growth-Oriented Policies post-2020

Robert Kaiser
Heiko Prange-Gstöhl

EUROPEAN ECONOMIC POLICY

Robert Kaiser and Heiko Prange-Gstöhl

The Future of the EU Budget

Perspectives for the Funding of Growth-Oriented Policies post-2020

– SIEPS 2017:6 –

Report No. 6
September 2017

Published by the Swedish Institute for European Policy Studies

This publication is available at www.sieps.se
The opinions expressed in the publication are those of the authors and do not reflect the position of the European Commission.

Cover design by LuxLucid
Printed by EO Grafiska AB

Stockholm, September 2017

ISSN 1651-8942
ISBN 978-91-86107-76-5

Preface

As yet another Multiannual Financial Framework (MFF) draws to a close in 2020, a new round of MFF negotiations commences. The context within which these negotiations take place has seldom, if ever, been as complex as they are at present. Not only is a mayor net payer to the budget leaving the European Union, but an increasing number of internal and external challenges have been added to the agenda in recent years.

In this report the authors analyse recent developments and they attempt to predict likely negotiation scenarios. A number of aspects act as guides in this examination, such as for instance the stability of EU budget negotiations, the preferences of the EU institutions and the capacity of individual member states to act as policy entrepreneurs. They argue that it is still possible to achieve path-breaking reforms, even though Brexit in particular and other new challenges might be handled within the established MFF structure.

The EU budget has been analysed in several reports from SIEPS through the years, not least because of its role as enabling furthering integration in Europe. As always, the window of opportunity for budgetary reform is never greater than during the negotiations for the next MFF.

Eva Sjögren
Director

About the authors

Robert Kaiser is Professor of Comparative Politics and Political Theory at University of Siegen. His main areas of research include comparative institutional analysis of industrialized countries, European policy analysis as well as research and innovation policies. Recent publications have been „Crisis as a permanent condition? - The Italian political system between transition and reform resistance“, Nomos 2016 (co-edited with Jana Edelmann), „The institutional foundation of innovativeness and competitiveness in two German industries: biotechnology and mechanical engineering compared“ (Economic Change and Restructuring 2016: 49, 289-307) and "La préparation du cadre financier pluriannuel: le rôle ambivalent des institutions Bilatérales“, in: Demesmay, Claire/Martin Koopmann/Julien Thorel (eds.): L'atelier du consensus. Processus franco-allemands de communication et de décision, Cergy-Pontoise: Cirac, 2013, 43-59 (with Jean-Nicolas Brehon).

Heiko Prange-Gstöhl is Senior Policy Officer at the European Commission. His recent publications have been on the EU's multiannual financial framework, innovation policy and systems in the EU, EU science diplomacy and public trust. He is editor of International Science and Technology Cooperation in a Globalized World (Edward Elgar 2010).

Table of contents

Executive summary

In recent months, a broad consensus has emerged among EU political leaders and institutions that the European Union needs substantial reform. Key documents, the Rome Declaration and the Commission's White Paper on the Future of Europe, to name only two, argue that it is time to open a new chapter in the history of European integration. Leaders even committed themselves to make the Union within the next decade "stronger and more resilient, through even greater unity and solidarity amongst us and the respect of common rules." Against this background one should assume that the next Multiannual Financial Framework (MFF) for the post-2020 period will become the key operational tool providing the financial means to meet the challenges and to achieve the objectives. Indeed, various factors, such as Brexit, the significant support anti-European populist parties receive across Europe, the disagreement among member states over migration policies, and the "isolationist" agenda of the new U.S. administration, could open a window of opportunity for fundamental reforms in Europe. The review of budget negotiation processes in the past, however, casts doubt on whether the next financial framework could provide a strong basis for such reforms. As a policy instrument, the MFF has developed into a solid path-dependent structure and it is quite difficult to escape from such an institutional structure as long as it creates stability and as long as it supports the key actors' interests and preferences. The case of the negotiations on the 2014-2020 budget provides a good example of the principal coincidence of factors that may support and hinder significant reforms. Initiated by a comprehensive budget review in the pre-negotiation phase, a debate on substantial changes emerged. It finally did not produce any results because of a dualism between reform approaches at the European level and crisis politics at the national level. In that situation, member states had already attempted to overcome the consequences of the 2008 financial crisis.

Well before the negotiations on the post-2020 MFF start in summer of 2018, this report analyzes most recent developments in the pre-bargaining phase that provide indications for possible outcome scenarios. We consider five variables relevant to assessing the potential outcomes of the negotiations: (1) the stability of the long-established logic of EU budget bargains, (2) the preferences and interactions of the EU institutions, (3) the capacity of individual member states to act as policy entrepreneurs, (4) the role of stakeholders and pressure groups, and (5) the economic and social conditions under which the negotiations will take place. We argue that both path-dependent incremental change as well as path-breaking reforms are still valid options, but it seems much more plausible to assume that the immediate consequences of Brexit and other new European challenges can be sufficiently handled within the established MFF structure.

The negotiation process

Based on our analysis, we predict that the traditional net contributors vs. net beneficiary logic will also prevail for the post-2020 negotiations. There will, however, be a variation in comparison to earlier budget negotiations. We can expect that the group of the net contributors that also profit from the MFF rebate system will establish a stable coalition in order to make sure that the net contributions will not further increase as a result of Brexit. On the net beneficiary side, there might be less unity since an exclusive club around the Visegrad group already emerged as a powerful alliance of member states that are mainly interested in sustaining the revenues they receive out of the cohesion policy. The main important variation in terms of the negotiation logic, however, is the growing number of member states that cannot be clearly assigned to the net contributor or the net beneficiary camp. These member states are on the brink of the two groups due to their economic development and could therefore be much more focused on the financial resources delegated to individual funding programmes instead of concentrating on the overall post-2020 budget.

In terms of the preferences and interactions of EU institutions we found indications of limited reform ambitions. The European Commission conducted its mid-term review of the current 2014-2020 budget in a quite cautions manner. The proposed reallocations of funds towards new priorities were not genuinely new, while the question of changes on the revenue side was not even discussed. The reform options presented by the High-Level Group on Own Resources received a cold response from many member states' governments, indicating that there is very limited willingness among them to address their own resources in the upcoming negotiations.

In view of the member states' capacity to act as policy entrepreneurs, we consider a Franco-German initiative as the most likely option for change. The Franco-German axis has very often played a decisive role in the formulation of compromises on which all member states finally could agree. This was especially the case in the negotiations for the 2007-2013 MFF, when a "quid pro quo" between the French and German governments paved the way for agreement. Given the strong position of the newly elected French President Emmanuel Macron and his pro-European agenda, a window of opportunity could open after the German elections in September 2017. It is therefore quite likely that elements of Macron's EU agenda, such as an investment budget for the Eurozone or the establishment of a European Defense Fund will at least be elements for discussion.

Stakeholders and pressure groups certainly have a limited influence on the negotiations of the overall budget, but can impact on the policy objectives and the amount of resources delegated to the main expenditure programmes. From the beginning, the European Commission has been eager to cool down the debate about the level of public investments. Mid-term evaluations or public consultations on the future of the EU's agricultural policy, cohesion policy and research and innovation policies did not address the future financial endowment for these policies. However, even in the early pre-negotiation phase, public and private interest organizations start their lobbying activities both at the national and European levels. In view of the EU's research policy, the main European university or industrial research associations formulated their positions on the next Framework Programme for research and innovation. In terms of future EU regional and cohesions policies, political pressure exists, especially at the national level. In Germany, for example, the Bundesrat, the legislative body representing German states in federal affairs, had already agreed on a resolution in December 2016 in which the states made a clear statement on their expectations for continued funding of German regions after 2020.

On the basis of existing economic forecasts, we can assume that the negotiations for the post-2020 MFF will take place under conditions of moderate economic growth, employment increase, and growing private consumption, but also slow growth in pubic investments and limited wage increases. Among EU member states, economic development will still lack coherence. This holds both for the group of Euro countries as well as for non-Euro member states. Given such conditions, few arguments exist for a significant cut in the regional and cohesion policies, but there are plausible reasons for a re-design of their instruments in a way that puts more emphasis on the strengthening of coherence in structural reforms.

Scenarios for the future EU budget

In terms of the structure of the post-2020 MFF, we expect no significant deviation from the existing link between the main expenditure lines and the most important funding programmes for agriculture, cohesion, as well as research and innovation. This structure provides for a significant amount of security both for member states and EU institutions and is therefore likely to be sustained. Besides that, there will be a stronger emphasis on new EU policy priorities, such as migration, defense and security policies. The current budget structure also already allows for funding of new priorities based on national contributions outside the MFF structure. Continuity in the structure of the MFF does not, however, indicate an absence of change of policies or changes across budget lines. In the past, significant reforms of expenditure policies were possible even without changes of the funding structure as was the case with the "greening" of agricultural policy or the establishment of financing instruments for basic research under the umbrella of the European Research Council.

The overall funding of the post-2020 MFF is likely to further decrease. We do not expect that member states will significantly increase their contributions in order to compensate for the loss of the current British share. Keeping the level of current investments would lead to an increase of national contributions of both net payers and net recipients. It is, however, also not very probable that the overall budget will be cut at the level of the British contribution, as there is considerable political pressure to provide sufficient means for the new European challenges. In view of current sectoral investments, we expect further decreases in funding for agricultural policy while there is only very limited redistribution mass in cohesion and research policy. We also do not consider it likely that there will be considerable changes on the revenue side. The report of the High-Level Group on Own Resources clearly showed that all available options generate higher political transaction costs compared to the current system. In a situation of insecurity over the consequences of Brexit, EU member states will thus not be very eager to engage in experiments with their own resources.

Certain changes are likely in view of funding rules. This holds especially for the regional and cohesion policies that support economic development in general, but have largely failed in producing coherence. This problem could be addressed by new obligations for member states to implement country-specific recommendations produced during the "European semester" as a condition for funding. We also expect that the EU will make more use of new funding instruments. In times in which the structural budget balance improves at least in a number of member states, European investments could become more loan-based while grants could be limited to areas in which loan-based funding is hardly an option, such as traditional research funding.

The post-2020 MFF: incremental reforms in times of dynamic change?

All in all, we assume that the current MFF structure provides for sufficient flexibility to manage Europe's current challenges. There are not very strong reasons that would call for path-breaking changes. Besides that, if a window of opportunity should open, it will be there for only a very limited time period. We assume that substantial reforms can be proposed only between October 2017 (after the German elections) and spring 2018 when the European Commission will draft the MFF proposal. There are, however, certain factors that could intervene into a "normal" policy process of budget negotiations. A failure of the Brexit negotiations, a resurgence of the Euro crisis or unexpected political developments at member states' level (such as the national elections in Italy in early 2018) could certainly provoke enormous difficulties for the budget bargains.

1 New uncertainties: EU finance under permanent crisis

Halfway through the current financing period, the European Union (EU) is already preparing for the negotiations of the Multiannual Financial Framework (MFF) for the post-2020 period. These negotiations will take place in turbulent times. In a situation in which some member states still have not overcome the economic consequences of the 2008 financial crisis, in which the EU is forced to manage the exit of its third-largest net contributor, in which left- and right-wing populist parties gain support across Europe for their anti-EU agendas, and in which member states' governments are seriously in conflict over issues such as immigration policy, the EU institutions have to find a compromise on a budget that provides for a sufficient basis for the reform of the common integration project.

Among EU institutions and member states' governments there is broad agreement on the need for substantial reform. In September 2016, the European Council initiated the so-called Bratislava process, a period of reflection among member states on changes that are required to make the European Union more efficient in terms of the current challenges, such as migration, security, and defence as well as economic and social development (European Council 2016). This process led to the Rome Declaration of the leaders of the 27 remaining member states, the European Parliament and the European Commission, who committed themselves to make the European Union a place that is "safe and secure", "prosperous and sustainable", provides for "social progress" and will have a "stronger" role on the global scene (European Council 2017). In parallel, the European Commission prepared a "White Paper on the Future of Europe" (European Commission 2017a) in which it presents five scenarios illustrating the paths the European Union could take until 2025. The White Paper also establishes the link between the different reform options and the consequences for the budget, as each of the five scenarios is discussed, inter alia, against the impact it would have for the future MFF (see also Haas/Rubio 2017a).

To capture the factors that may have an impact on the bargaining process, the preferences of the actors involved, their interactions and the framework conditions under which the negotiations on the post-2020 budget will proceed, we put two competing arguments forward.

First, we argue that over the last three decades the MFF has developed into a path-dependent institutional structure that will most likely further solidify if future negotiations do not take place under conditions under which the consequences of a crisis situation convince all actors of the need to change paths. The assessment of that situation is less based on the level of efficiency of the institutional structure than on the level of stability it provides for the actors. In more concrete terms, the history of establishing a long-term budget through the MFF has clearly proven that it generates a high level of certainty about the interests, preferences and strategies of the actors involved in the negotiations. This holds even for an era of European integration in which 15 new member states entered the EU and in which the intensity of political integration has significantly increased. Given that the structure and the volume of the next MFF has immediate consequences for the shape of the EU's largest expenditure programmes, we should assume that the agricultural and structural funds are not simply the financial instruments of these specific policies, but key mechanisms that regulate both the redistributive transfer of financial means to the less developed member states as well as the backflow of money to the more developed ones. In this respect, the MFF is not only a budget for investments at the European level, but a fiscal equalization scheme established at the EU level for the redistribution of financial resources among EU member states. Consequently, the large-scale EU financial programmes cannot easily be changed as they have been evolved as stabilizing factors over a long period of time. One could even argue that these programmes develop along stable paths that were established in the past under framework conditions that may not exist any more. Nevertheless, actors who benefit from these programmes, either financially or politically, both at the European and the national levels, will not refrain from accepting the benefits if the crisis does not force them to do so.

Secondly, we argue that the various crisis phenomena indeed open a "window of opportunity" for path-changing reforms of the budget. This does not simply mean that the actors involved perceive the current situation as a moment where change is needed or possible. Rather, there are certain institutional preconditions for the use of that reform opportunity. In public policy research, the concept of policy entrepreneurship aims at providing explanations for the existence and the (sometimes unexpected) outcome of agenda-setting processes in which a political actor (i.e. the policy entrepreneur) succeeds in proposing and pushing through his or her problem solution strategy even against the anticipated resistance of other political actors whose agreement is needed for the implementation of this solution.

To do so, a policy entrepreneur must have some specific actor qualities as well as the capacity to make use of them. According to Kingdon (1984: 189f.), there are three main actor qualities: (1) the actor's status as a recognized expert and a serious leader who acts in the interests of others or has an authoritative decision-making position, (2) the actor's negotiation and networking capabilities which are mainly based on the combination of technical expertise and political savvy, and (3) the actor's persistence in the political arena which provides him with the opportunity to wait for a policy window and to make use of it when it opens. Based on these qualities, the policy entrepreneur can initiate change through the coupling of at least two of three separate and independent streams within a political system which "carry" descriptions of problems, several possible strategies for the solution of the problem and a political event which renders the agreement on such a strategy more likely (such as a crisis, unexpected election results or interest group campaigns).

For the study of EU politics, Kingdon's concept of the policy entrepreneur is quite useful, as it clearly allows for the characterization of the different EU institutions' potential to act as a policy entrepreneur. The European Commission's entrepreneurial capacity stems from the possession of the required information and its technical resources. It also has the prime role in formal agenda-setting procedures and it has established a comprehensive system of standing and ad-hoc committees as well as expert groups, which allow for the early coordination of legislative proposals with representatives from the member states and with private actors.

Yet, the role of the European Commission as the "natural" agenda-setter is not uncontested, especially not in the process of budget negotiations. This is mainly because of the gradual transition of the European Council from an informal forum of the Heads of States and Governments to the EU's "control center". With the Lisbon Treaty, the European Council gained the status of a formal institution of the European Union, which "shall provide the Union with the necessary impetus for its development" (Article 15 TEU). The Treaty also foresees that the European Council shall meet twice every six months with the option to convene special meetings if "the situation so requires". Meanwhile, the number of European Council meetings has significantly increased, especially in phases of immediate crisis management.[1] This reflects the growing coordination needs among the Heads of States and Governments, especially in the context of the Euro crisis and, more recently, Brexit. But it also indicates that member states only engage in strengthening the coordination of their national policies at the European level (e.g. the EU's new "economic government")[2] under the condition of reinforcing the intergovernmental dimension of European integration.

In the following, we will present some general background information on the politics of EU budget negotiations. This includes a summary of the key features that characterize the institutional structure of the MFF and a review of the determinants of the budget negotiations for the current financial framework (section 2). In section 3, we turn our attention to growth-oriented policies and their role and development within the MFF. Here we will show that these

---

1 European Council meetings: 2008=5, 2009=8, 2010=8, 2011=11, 2012=8, 2013=7, 2014=9, 2015=10, 2016=6, 01-05/2017=4.

2 See European Council conclusions of 17 June 2010.

policies, especially, came under pressure during the years after the financial crisis. In section 4, we pursue our analysis of five variables we consider crucial for the explanation of the different scenarios for the post-2020 MFF. These variables concern a) the stability of the long-established logic of EU budget negotiations; b) the preferences and interactions of EU institutions; c) the capacity of individual member states to act as policy entrepreneurs; d) the role of stakeholders and pressure groups, and e) the economic and social conditions under which the negotiations will take place.

This study is based on a qualitative analysis of official documents, reports, newspaper articles and a review of the secondary literature. In terms of documents and articles we focused on a period starting from autumn 2016 when the European Commission presented the mid-term evaluation of the current MFF. We have also discussed the results of our analysis with several experts from EU institutions and member states' governments. Those conversations were not used for data collection, but for a 'reality check' of our assumptions and conclusions. They have been pursued under the commitment of anonymity. We therefore do not directly refer to them in this report.

2 The politics of the multiannual financial framework

Before addressing the perspectives for the future of the EU budget, this section goes back to some characteristics of EU finance and highlights the asynchronous shift from "normal" to "crisis" politics that has occurred as consequence of the European financial and economic crisis since 2007/8 at the EU and member states level and which emerged a major influential factor shaping the current MFF.

2.1 Some core characteristics of the EU budget[3]

Since 1988 the EU budget is defined within a multiannual financial framework laying down the maximum annual amounts (so-called "ceilings") which the EU may spend in different political fields ("headings") over a period of several years. For several policy areas it also defines the distribution of resources between member states. Thus, "by defining in which areas the EU should invest more or less over the seven years, the MFF is an expression of political priorities".[4] Some claim that "the EU budget is a 'sui generis' construction" (HLGOR 2016: 6) reflecting an agreement on three conflict dimensions: (1) the overall expenditure ceiling, (2) the distribution of the money between the different headings, and (3) the allocation of funds within the headings (Begg 2005; Dür/Mateo 2010).

Major changes in the EU's budgetary planning were achieved in 1988 when "the highly conflictual bargaining of the 1970s and 1980s was replaced by a more predictable, consensual and rule-bound system" (Laffan 2000: 733). Key elements of that change were the introduction of a multiannual financial perspective (the so-called Delors I package saw a time frame of five years from 1988-1992), a law on budgetary discipline to control the expenditures of the Common Agricultural Policy (CAP) in favour of structural and cohesion policy[5], and an inter-institutional agreement between the European Commission, the Council of the European Union and the European Parliament to agree on budgetary procedures (Laffan 2000: 733f).

While since the Delors I package the Union achieved greater stability in its budgetary planning, the negotiation on the Delors II package (1993-1999)

---

[3] De Feo (2017) provides a comprehensive and long-term analysis of 40 years of EU budgetary decisions.

[4] See http://ec.europa.eu/budget/mff/introduction/index_en.cfm (accessed 6 February 2017).

[5] This new political priority followed the introduction of "economic and social cohesion" into the Treaty (Ackrill/Kay 2006: 125).

already revealed today's classical cleavages between net-receivers and net contributors to the budget. A vocal "net contributors club" emerged, led by Germany, which was unwilling to keep its paymasters role, arguing with the high costs of unification (Laffan 2000: 739). Additionally, the Netherlands became a net contributor during the 1990s and EU newcomers Austria and Sweden were also concerned about the growing financial burden of the EU budget (Laffan 2000: 739). Nevertheless, the 1988 budget reform laid down the foundations for any future financial negotiations (Laffan 2000: 742).

Since 2009, the Treaty on the Functioning of the European Union (Art. 312(2) TFEU) stipulates that the regulations laying down the MFF must be based on a Commission proposal and adopted by the Council by unanimity after obtaining the consent of the European Parliament. The Council may act by qualified majority when the European Council decides so (the so-called "passerelle" clause). There is no other mention of the European Council in the context of adopting the MFF.

As a consequence of the need to take budgetary decisions by unanimity with a tendency to follow the logic of lowest common denominator (Schild 2008; Citi 2013), the EU's expenditure policy is often seen as "a product of the past characterised by a strong status quo bias" (Stenbaeck/Jensen 2016: 615). However, some authors found that substantial changes might occur if favourable conditions – for example linked to a changing policy environment or a change in member states preferences (Schild 2008: 546) – open a "window of opportunity" (see Kaiser/Prange 2010; Laffan 2000; Schild 2008; Stenbaeck/Jensen 2016).

Similar to the debates about the expenditure side of the EU budget, its revenue side is also under constant scrutiny (see e.g., Begg 2010a; Begg/Grimwade 1998; Gros 2008; Heinemann et al. 2008; HLGOR 2016). 98%[6] of the revenue side is funded by a system of so-called "own resources", consisting of "traditional own resources" (e.g. customs duties on imports), "own resource from value added tax (VAT)", and "own resource based on gross national income (GNI)", the latter accounting for 76% of the revenues (Benedetto 2012: 41). The rest stems from other revenue, such as taxes on EU staff salaries, contributions from non-EU countries to certain programmes, and fines on companies violating competition law. It should also be noted that the EU budget needs to be in balance each year. This means that it does not run an annual deficit, is not financed by borrowing money on the financial markets and, therefore, does not build up public debt (HLGOR 2016).

Núñez Ferrer et al. (2016: 19) point out that "the arguments in favour of reform tend to be based on the fact that the own resources system has become

[6] See http://ec.europa.eu/budget/explained/budg_system/financing/fin_en.cfm#own_res (accessed 22 February 2017).

complicated, opaque and corrupted by correction mechanisms originating from imbalances in both resource collection and expenditure allocation over the years". They, moreover, make an important link between the revenue and the expenditure side of the EU budget by highlighting that "there is a widely-held perception that changing the present system into one based on resources levied through direct taxation of economic actors, rather than indirectly through GNI contributions, could free the EU resources from the disputes over net budgetary balances and increase the transparency and accountability of the budget" (Núñez Ferrer et al. 2016: 19).

2.2 Negotiating the MFF 2014-20 under crisis conditions

The negotiations on the current MFF took place in a delicate context mainly due to the tense economic situation in many member states. On the MFF's expenditure side traditional cleavages between net contributors and net recipients had already been intensified due to two enlargement rounds in 2004 and 2007. Therefore, the Commission was in a dilemma to come up with a MFF proposal delivering the right balance between political ambition and realism, while taking account of the political and economic circumstances resulting from the economic crisis.

With respect to the EU's fundamental financial and economic crisis in 2007/8, the failure to shift the MFF (2014-20) towards a more future-oriented growth policy (i.e. no fundamental re-distribution between budget headings; nailing down the upper limit of the EU budget at 1 percent of member states' gross domestic product) was triggered by EU member states moving from "normal" to "crisis" politics and by the reinforcement of change-resisting factors of EU budget negotiations (i.e. the usual net-contributor/net-receiver logic plus new cleavage between members and non-members of the Eurogroup), stemming from austerity policies as a reaction to the crisis.

Initially, i.e. in the pre-crisis situation, the so-called "budget review" planned for 2008 was considered to be key for the preparation of the MFF 2014-2020 (Kaiser/Prange-Gstöhl 2012). It has been expected to be a crucial instrument for strategic reorientation. For the first time ever, the European Commission was invited by the Council "to undertake a full, wide ranging review covering all aspects of EU spending" (Council of the European Union 2005: point 80) over the course of 2007-2013. This mid-term review covered highly controversial issues such as the financing of the Common Agricultural Policy, the EU's overall financial resources, and the redirection of funds in favor of the so-called growth policies, i.e., policy areas that are in general considered as being core to sustainable economic growth, international competitiveness, and job creation, such as R&D and innovation policies. Therefore, the Commission launched a broad public consultation process in 2007 to ensure full involvement of all stakeholders as well as of member states' governments at an early stage.

Although the Commission confirmed that the review will not propose a new financial framework, member states' governments had nevertheless stated their priorities and interests during the public consultation. For the Commission, this could have been a basis for legitimizing its proposals for the new MFF hinting at the positions member states have already put forward. Rubio (2008: 14) assumed that "by inviting the European Council to adopt decisions on the basis of the final report, the 2008/2009 review offers member states the possibility of making unpopular decisions on the next financial perspectives well before the start of negotiations, thus free from the political pressures that characterize the period of negotiation". Begg (2007: 24) even noted that the budget review provided an opportunity to break the change-resistant decision-making system of previous rounds of budget negotiations and could therefore be the key to reform.

At that time (i.e. in a pre-crisis situation) EU governments were, indeed, generally in favor of substantially reviewing all major EU expenditure policies and reforming the EU budget by setting new priorities. However, the high hopes (both in academia and politics) for a substantial EU budget reform vanished during 2009/2010, as the publication of the budget review was postponed from the expected date in the first half of 2009 to October 2010, when preparations for MFF 2014-2020 had already begun. As a consequence, the budget review – and with it the chance for a major reform – became a victim of the rising economic and financial crisis during which member states significantly shifted their preferences. This rapidly closed the "window of opportunity" for a strategic turn in EU expenditure policies (see also Begg 2010b). The budget negotiations no longer took place under the logic of the EU reform, but mirrored the rationality of member states' fiscal consolidation requirements. Under this new situation, a potential increase in the overall EU budget for research, innovation and other growth relevant investments collided with the launch of national austerity measures and at the same time the establishment of the European Financial Stability Facility (EFSF), the European Financial Stability Mechanism (EFSM) and later (i.e. as of 2013) the permanent European Stability Mechanism (ESM), which has an initial capital stock of €700 billion.

2.3 Negotiating the MFF 2014-20: old and new change-resisting factors

This crisis politics reinforced classical change-resisting factors, as the main frictions between net contributors and net recipients continued to exist. The two most visible groups were the "Friends of Better Spending" and the "Friends of Cohesion" – labels that were used by these groups themselves (see Stenbaeck/Jensen 2016). While the "Friends of Better Spending" advocated a freeze of the overall expenditure, the "Friends of Cohesion" consisted of net-receiver countries. In contrast to earlier budget negotiations, however, the "Friends of Better Spending" were from the beginning solid against any increase of the EU budget. As early as 2009, a group of member states (Germany, United Kingdom, France, the Netherlands, Sweden and Austria) voiced their demand to cap the EU budget at 1% of the Gross Domestic Product (GDP).[7]

In November 2010, the European Council affirmed that the member states' strengthening of fiscal discipline resulting from the crisis must be reflected in the Union budget and the new MFF. The European Council Conclusions were accompanied by a request from net-contributor Member States (including Germany, France, Sweden, and the United Kingdom), which called for a ceiling of 2.91% on expansion of the Union's 2011 budget, although the Commission and the European Parliament called for an expansion of 5.8% and 6.2%, respectively.[8] The United Kingdom, Austria, Sweden, Denmark and the Czech Republic were calling for the 2011 budget to be frozen at the level of 2010, while Finland and the Netherlands wanted further cuts but argued that the 2011 budget should be concentrated more on the priorities of the Europe 2020 strategy, such as innovation and research, rather than structural funds.

With this clash over the 2011 budget the crisis had reached the annual budgetary negotiations only one month after the European Council had agreed on the need to set up a permanent crisis mechanism to safeguard the financial stability of the Euro area as a whole. In view of the MFF negotiations and following the European Council declaration of November 2010, the leaders of net-contributor countries France, Germany, the Netherlands and Finland in December 2010 signed a letter written by UK Prime Minister Cameron to cap growth in the new MFF to the rate of inflation. According to that group of member states, EU spending should be in line with the efforts national governments were making to make savings and cut public deficits as a reaction to the economic crisis.

Due to the Euro crisis, the group of the "Friends of Cohesion" was clearly less united. The group consisted of Euro- and non-Euro countries that were differently affected by the crisis. Three member states (Spain, Greece and Portugal) received support from the different Euro stabilization mechanisms. Although being beneficiaries of that support, Portugal and Spain had to provide their share to the Greek rescue package. The same holds for a number of Euro countries that had to overcome severe economic problems even though they did not receive direct support from the Euro group. This holds especially for the Baltic countries that were already members of the Euro zone (Estonia) or prepared for their accession (Latvia, Lithuania). In that situation, the "Friends of Cohesion" were not in a very strong position to argue in favour of a bigger budget. As receivers of stabilization funds they were dependent on the goodwill of the most important contributors to these instruments, which were all members of the "Friends of

[7] See Agence Europe, "EP wants current financial perspective extended", 26 March 2009.

[8] See Agence Europe, "Two aspects to clarify: EU budget and role of private sector in crises", 5 November 2010.

Better Spending" group. And even the non-Euro countries of the "Friends of Cohesion" group had to accept that the net payers were already significantly burdened by the contributions they had to provide for the stabilization of the common currency. Consequently, new change-resisting factors appeared in the form of a cleavage between members and non-members of the Eurogroup.

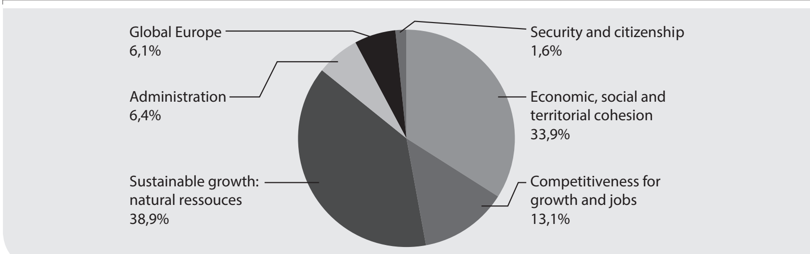
3 Growth-oriented policies under crisis pressure

The dynamics of change-resisting factors provide a sufficient explanation for why the current MFF is the first in the history of European integration that – in comparison to its predecessor – disposed a smaller amount of financial resources. They do not explain, however, why there has been no significant shift of investments from the long-established main funding areas (agriculture and cohesion policy) to the more traditional growth-oriented policies. We define growth-oriented policies as policy areas that are in general considered as being core to sustainable economic growth, international competitiveness, and job creation in a knowledge-based society, such as research, innovation, education and infrastructure policies (Tobin 1964; Freeman/Soete 1997; Cantwell 1999).[9]

3.1 Overview of growth-oriented policies

In total, the current MFF 2014-2020 amounts to €960 billion for "commitment appropriations" and €908 billion for "payment appropriations". Figure 1 shows the relative share of the different budget headings, while table 1 provides a comparison of the current MFF with the previous MFF (2007-2013) as well as with original Commission proposal for the current MFF.

Figure 1 The Headings of the Multiannual Financial Framework 2014-2020



Source: European Commission (2013: 9)

[9] We are aware that other policies might also contribute to growth and that policies are not only implemented through funding, but for example also through regulation. In this context, it should be noted that besides funding for these areas under the "Competitiveness for Growth and Jobs" heading of the MFF, the current generation of structural and cohesion programmes have undergone some reforms focusing more on priorities such as skills, research, innovation, training and energy (European Commission 2017h: 16f.). The European Commission claims that cohesion policy in the funding period of 2007-2013 has provided financial support for 95,000 research and innovation projects in which 42,000 positions for researchers were created (European Commission 2017h: 17). However, the effects of cohesion policies on promoting economic growth and reducing welfare differences in the EU are still contested (see, for example, Ederveen et al. 2006; Kehagia 2013). For the purpose of this paper – and the reduction of complexity – we, therefore, narrow down our definition of growth-oriented policies building on economic innovation literature.

The biggest share of the EU budget, 38.9%, is still reserved for Heading 2, "Sustainable Growth: Natural Resources" (i.e. agriculture), followed by Heading 1B, "Economic, Social and Territorial Cohesion" (i.e. structural and cohesion policy) with 33.9%, and the "Competitiveness for Growth and Jobs" Heading 1A with 13.1% of the total MFF (i.e. Heading 1 "Smart and Inclusive Growth" has a MFF-share of 47%). Headings 3, "Security and citizenship" with 1.6%, 4, "Global Europe" with 6.1%, and 5, "Administration" with 6.4%, account for only small shares of the MFF.

Heading 1A subsumes a total of €126 billion (13.1% of the total MFF), of which the budget for Horizon 2020 is about €77 billion (8.5% of the total MFF). This means that expenditures for research, innovation, and competitiveness have stagnated for many years, and the proportions between the main expenditure

Table 1 Final MFF 2014-20 compared to Commission proposal and MFF 2007-13

Commitment appropriations in million EUR (2011 prices)	*MFF 2007-2013*	*MFF 2014-2020 EC proposal*	*MFF 2014-2020*	*MFF's 2007-2013 and 2014-2020 compared*	
				million EUR	Percent
Heading 1A: Competitiveness for Growth and Jobs	91,495	164,316	125,614	34,119	37
Connecting Europe Facility (CEF)	12,783	40,249	19,299	6,516	51
Galileo, ITER, GMES	8,047	15,548	12,793	4,746	59
Heading 1B: Economic, Social, and Territorial Cohesion	354,815	338,994	313,197	-29,666	-8
Territorial Cooperation	8,880	11,878	8,948	68	1
Heading 2: Natural Resources	420,682	389,972	373,179	-47,503	-11
Direct Payments	318,820	286,551	277,851	-40,969	-13
Rural Development	95,741	91,966	84,936	-10,805	-11
Heading 3: Security and Citizenship	12,366	18,809	15,686	3,320	27
Heading 4: Global Europe	56,815	70,000	58,704	1,889	3
Administration	57,082	63,165	61,629	4,547	8
Compensations	920	27	27	-	0
Total	**994,176**	**1,045,282**	**959,988**	**-34,188**	**-3**
As % of GNI	**1.12**	**1.09**	**1.00**	**-**	**-0.12**

Source: https://epthinktank.eu/2013/11/14/2014-20-multiannual-financial-framework-mff/ (accessed 15 February 2017).

lines (agriculture/fisheries, cohesion, research/innovation/ competitiveness) have hardly been touched as compared to the MFF 2007-2013. The stagnation in research and innovation (R&I) spending is even more apparent when looking at the absolute expenditure figures: with an amount of about €158 million for Horizon 2020 in 2017, the R&I investment has remained at a similar level as compared to 2005 when €152 million have been spent under the Sixth EU Research Framework Programme. Thus, as Sapir (2014: 65) concludes, the EU "failed to radically restructure the EU budget and send a clear signal that Europe was willing and able to adapt its policy agenda to the realities of the twenty-first century". EU policies, including those that support competitiveness and growth under Heading 1A, are implemented through programmes and funds. Table 2 provides an overview of the programmes within the current MFF.

3.2 At the core of growth-oriented policies: research and innovation

In general, there has been a greater focus on growth-oriented policies since the EU has launched the Lisbon Strategy in the year 2000. In particular, research and innovation policies have been declared a central element of the strategy, which was aimed at making Europe "the most competitive and dynamic knowledge-based economy in the world." In 2004, the so-called Kok Report provided a major impetus for European growth policies. The report requested governments to give research and innovation policies a core role in reforming their economies (Kok Report 2004). In 2002, the EU had already set a target of 3% of GDP to be invested in research and innovation across the Union by 2010 (so-called Barcelona target).

Following the report, the Commission has introduced several policy initiatives to facilitate progress of the Lisbon strategy since 2005 (see e.g., European Commission 2005a, 2005b, 2006a, 2006b). However, the EU has still not reached the 3%-target for research and innovation investment. Thus, some argued that the Lisbon Strategy did not deliver in terms of research and innovation policy (see e.g., European Commission 2009; Kaiser/Prange 2005; Tilford/Whyte 2010).

In March 2010, the Barroso-II-Commission tried to remedy the shortcomings of the Lisbon Strategy by introducing a follow-up plan, i.e., "Europe 2020 – A strategy for smart, sustainable and inclusive growth" (European Commission 2010a). As one of its three priorities, Europe 2020 is aiming at strengthening knowledge and innovation as drivers for future growth. Europe 2020 also keeps the original Barcelona 3% target. Seven so-called flagship initiatives – three of them directly linked to the priority to strengthen knowledge and innovation[10] – had been set up to operationalise the new strategy.

[10] In particular, the Innovation Union flagship initiative has been labelled the core of the Europe 2020 Strategy (European Commission 2010b). The initiative focused research and innovation policies on big societal challenges, such as climate change, energy and resource efficiency, food security, health and demographic change.

Table 2 Programmes and Funds under Heading 1A "Competitiveness for growth and jobs" of the MFF (in current prices)

Programme	*Objectives*	*Total Amount in MFF (in million EUR)*	*Share of overall amount in Heading 1A (in percent)*
Connecting Europe Facility	The Connecting Europe Facility supports the development of high-performing, sustainable and efficiently interconnected trans-European networks in the field of energy, telecommunications and transport	21,936.76	16.56
Copernicus	Copernicus is a European system for monitoring the Earth	4,291.48	3.24
Competitiveness of Enterprises and SMEs (COSME)	The programme supports the competitiveness, growth and sustainability of EU's enterprises, in particular SMEs, and promoting entrepreneurship	2,298.24	1.74
Customs, Taxation and Fight against Fraud – Customs 2020 – Fiscalis 2020 – Pericles 2020 – Hercule III	– The Customs 2020 supports the functioning and modernisation of the Customs Union. – Fiscalis 2020 supports the functioning of the taxation systems in the Union. – Pericles 2020 aims at combating euro-counterfeiting in Europe and worldwide. – Hercule III is dedicated to fighting fraud, corruption and any other illegal activities affecting the financial interests of the EU.	908.01	0.69
Employment and Social Innovation Programme	The programme supports Member States efforts in the design and implementation of employment and social reforms at European, national as well as regional and local levels.	919.47	0.68
Erasmus+	The programme will increase the quality and relevance of Europe's education systems by providing funding for the professional development of education and training staff.	14,774.52	11.16
Galileo	The programme is Europe's initiative for a state-of-the-art global satellite navigation system.	7,071.73	5.34
Horizon 2020	The programme aims at securing Europe's global competitiveness, strengthening its position in science and its industrial leadership in innovation.	77,028.3	58.16
ITER	ITER is an international collaborative project (EU, US, China, Japan, India Russia, South Korea) to demonstrate the potential of nuclear fusion as an energy source.	2,985.62	2.25
Nuclear decommissioning assistance programmes	These programmes finance the decommissioning of some nuclear installations in Bulgaria, Lithuania and Slovakia.	225.32	0.17
Total		**132,439.45**	

Source: Own compilation based on http://ec.europa.eu/budget/mff/programmes/index_en.cfm (accessed 2 February 2017).

As shown before, the multi-annual Framework Programme (FP) for research and innovation is the main tool to implement the competitiveness and growth heading of the MFF.[11] It was implemented for the first time in 1983 with a budget of €3.75 billion and a focus on a few strategic technology fields such as information and communication technologies, materials, energy and environmental technologies. The Single European Act of 1987 gave the Community a mechanism to become a more active player in science, research and technology policy by providing a decision-making procedure for implementing multi-annual FPs (today Title XIX of the TFEU). While the second FP (1987-1991; €5.4 billion) and the third FP (1990-1994; €6.6 billion) remained modest in terms of budget, research expenditures at the European level were doubled in absolute terms to €12.3 billion with FP4 (1994-1998). The main driver for this development was the 1991 Maastricht Treaty, which further "communitarized" research policy. The Treaty allowed pursuing research activities at the EU level that were necessary to achieve other than research-related goals of the Treaty. The following two FPs saw only moderate increases in budgets, with the fifth FP (1998-2002) providing an amount of €13.8 billion and the sixth FP (2002-2006) of €16.2 billion (both including EURATOM).

The seventh FP featured a significant budget increase, providing an amount of €50 billion for a seven-year period (2007-2013), and new instruments with the aim to better coordinate research policies and programmes in Europe (for example European Research Area-Nets, Joint Technology Initiatives, Joint Programming Initiatives). Since 2014 the Union's eighth FP – Horizon 2020 – is in force with a budget of about €77 billion until 2020 (European Parliament & Council of the EU 2013).

EU science and research policy has seen a continuous expansion since the beginning of the 1980s. The multi-annual Framework Programme has become the biggest joint research programme in the world and represents the third largest budget of the EU (after agricultural and structural/cohesion policies). Today it is the core programme for implementing growth-oriented policies in the EU.

3.3 Crisis measures and their implications for growth-oriented policies

As we have described in section 1, the EU is in a continuous crisis mode. But what does it concretely mean for growth-oriented policies in the EU? In the following we briefly analyse the reactions to the financial and economic crisis at EU and national levels (i.e. during 2008-2010) as part of the austerity policies.

Since 2008, Europe has suffered from a severe financial and economic crisis. The EU GDP fell by 4.5% in 2009, industrial production dropped back to

[11] For all following figures on the budgets for FP1 to FP7, see http://ec.europa.eu/research/fp7/pdf/fp-1984-2013_en.pdf (accessed 23 February 2017).

the levels of the 1990s, 23 million people – or 10% of the EU's economically active population – were unemployed, and deficits reached 7% of GDP. Debt levels increased by 20 percentage points over two years (European Commission 2010c: 2). The negative trends continued through 2011 to 2012 with a gradual recovery across the EU since 2013. However, "the EU average expresses diverse growth trajectories and very different experiences during the crisis across member states" (European Commission 2014a: 5). In fact, the gap between southern and northern Europe has been growing. While GDP in the northern Eurozone countries (Germany, France, the Netherlands and Belgium) grew in 2011 and 2012 due to their strong competitiveness (with the notable exemption of Finland), the economies in southern Eurozone states have experienced further contractions over the same period, which recovered only in 2014; see: European Commission 2014b: 1) resulting in the Eurozone becoming a "two-speed" economy. Since 2014 the Eurozone as a whole has been back on a modest growth track, with a GDP increase of 1.2% in 2014, 2.0% in 2015, 1.8% in 2016 (forecast) and 1.7% in 2017 (forecast) (see European Commission 2017b: 148). However, except for Ireland and Spain, the growth rates of those member states that were hit by the crisis most are still not at a level sufficient to compensate for the huge contraction characterizing the years before.

In December 2008, the European Council reacted to the economic crisis, approving a European Economic Recovery Plan, equivalent to about 1.5% of the GDP of the European Union (around €200 billion, with €170 billion coming from national budgets and €30 billion from the EU budget and the European Investment Bank), marking a shift towards "crisis politics" at EU level. The plan had set out a programme to steer action to "smart investments" in people's skills, in energy efficiency, in clean technologies to boost sectors such as construction and automobiles in the low-carbon markets, and in infrastructure and interconnection (see European Commission 2008). The EU's recovery was also supposed to reinforce the Lisbon Strategy by increasing investments in research, technological development and innovation through joining public and private forces.

During 2009/2010, EU member states governments switched into a "crisis management mode".[12] In terms of national GDP the size of the German economic stimulus packages were 1.6% in 2009 and 2.4% in 2010, while the Swedish ones amounted to 0.6% of Sweden's GDP in 2009 and 1.7% of GDP in 2010. Spain reached a GDP equivalent of 0.8% (2009) and 0.5% in 2010. The Netherlands and Poland reached 0.8% and 0.9% in 2009, with hardly any changes in 2010 (0.8% respectively). The Portuguese government provided by far the lowest amount for fiscal stimulus, roughly 0.2% of GDP in 2009 and 0.1% in 2010 (Roeger/in't Veld 2010). The crucial point here is that, based

[12] We have chosen a variation of net-payer/net-receiver and Eurogroup members/non-Eurogroup members: Germany, the Netherlands, Portugal, Poland, Sweden, and Spain.

on national measures which were also accounted for in the EU Recovery Plan, the member states provided quite different national contributions to the EU initiative which called upon member states to make allowances of at least 1.2% of the EU's GDP.

Considerable differences also exist in terms of national austerity measures. While the Swedish government decided to increase public expenditures in the years following the crisis, the German government agreed on a budget cut of about €80 billion until 2014 (an equivalent of 0.4% of the GDP for 2011). In Spain, the budget cut amounted to 2.9% of the GDP in 2011, while the Dutch liberal party, which won the national election in June 2010, immediately announced a reduction of the country's budget by about €45 billion (or 1.7% of the annual GDP) until 2014. The Polish government refrained from direct budget cuts. Rather, it aimed at increasing public revenues through a 1% increase of the VAT and through further privatizations. In terms of austerity measures, Portugal is a special case, as the country had to apply for coverage under the EFSF in 2011.

In terms of national R&D spending for 2009, we observe that the innovative performance of the six countries had no immediate impact on their policies. The governments of all the countries planned to increase public R&D investments. For 2010, however, the situation had changed significantly. The Spanish government announced a 4% reduction of the country's R&D budget in December 2009. In Sweden, investments in R&D remained largely the same. The share of the total budget was 3.6% in 2010, only 0.1% lower than in 2009. This is due to increased overall public expenditures. The German federal R&D budget for 2010 included a 6.5% increase for research and innovation. In Poland, the government aimed at a reduction of the budget for higher education and research of about six to seven percent. Despite considerable budget consolidation needs, the Portuguese government was able to avoid a reduction of public R&D investments. Rather, in 2009, related expenditures increased by €205 million (European Commission 2011). All in all, the crisis consolidated the gap between strong innovation performers and weak ones in the Eurozone. The European Commission (2016d: 33) concludes that "the most striking – and worrying – trend is that some member states which already had a public R&D intensity well below the EU average […] have experienced budget cuts in their public R&D in recent years instead of building R&I capacities through more investments". Poland's research and innovation performance has marginally improved over the last decade (European Commission 2017c: 70), while Portugal's R&D intensity fell from 1.58% of GDP in 2009 to 1.28% in 2015 (ibid: 73). Spain's innovation performance continues to decline relative to the EU average (ibid: 84).

These budget cuts and stimulus packages were accompanied by several member states signalling that they were not willing (or more likely, not able) to achieve the old Barcelona 3% target for investment in R&D that had been preserved in the Europe 2020 Strategy. The National Reform Programmes verified that only eleven member states planned to achieve the three percent target by 2020. Moreover, member states wanted the Commission to prioritise and focus its activities arguing with significant public budget constraints.[13] Likewise, the European Parliament reminded the Commission that the Europe 2020 Strategy sets the EU's main orientations and priorities, and that therefore the EU budget must play a key role in achieving the strategy's objectives (European Parliament 2016a: point 7).

3.4 Crisis at the EU's executive arm? The swing of the Juncker-Commission

The Eurozone crisis has consolidated and fundamentally intensified a divide between the stronger northern economies and the weaker southern ones. While the rhetoric about European growth policies and strategies has been strong, "growth remains anaemic" (Diamond et al. 2015: 62). Upon launching the new EU Investment Plan, the Juncker Commission swung towards the member states' side, more explicitly following a "crisis" mode by setting up a public stimulus package at the EU level and promising an additional investment of €315 billion until 2017. The Commission argued that this investment plan was urgently needed because of the economic and financial crisis (European Commission 2014c: 4). Therefore, the plan should serve three related policy objectives (European Commission 2014c: 5):

> "– reverse downward investment trends and help boost job creation and economic recovery, without weighing on national public finances or creating new debt;
> – take a decisive step towards meeting the long-term needs of our economy and increase our competitiveness;
> – strengthen the European dimension of our human capital, productive capacity, knowledge and physical infrastructure, with a special focus on the interconnections vital to our Single Market."

At the core of the Investment Plan the EU created a European Fund for Strategic Investment based on the following pillars:

- a guarantee provided through the EU budget of up to €16 billion;
- a guarantee provided by the European Investment Bank (EIB) of €5 billion;
- Member States, directly or through their National Promotion Banks or similar bodies, will have the opportunity to contribute to the Fund in the form of capital;
- private investors can also join the Fund;
- a pipeline of projects suitable for funding through the EFSI will be established at the EU level.

[13] See Council of the European Union, Conclusions on Innovation Union for Europe, 26 November 2010.

The Commission estimates that the Fund could reach an overall multiplier effect of 1:15 in real investment in the economy, i.e. the initial contribution of €21 billion of public funds at EU level should yield approximately €315 billion of additional finance over three years (2015-2017). To achieve the above-mentioned objectives the Fund shall "support development of infrastructure, or investment in education, health, research, development, information and communications technology and innovation, or expansion of renewable energy and energy efficiency, or infrastructure projects in the environmental, natural resources, urban development and social fields, or SMEs and mid cap companies, including by providing working capital risk financing" (European Commission 2015: 4).

In terms of R&I funding and future-oriented growth policies EFSI raises a couple of issues:

- the leverage effect of 1:15 could be contested and with the Risk Sharing Finance Facility (RSFF), Horizon 2020 already owns an instrument with the same purpose as that of EFSI and for which the leverage effect is "only" about 1:6 (Euro2030 2014: 8);
- the selection criteria for projects remains unclear, and there is no guarantee that projects will not be selected that would have been funded anyway (windfall gains);
- there is no fresh money involved at the EU level, as funds from Horizon 2020 and the Connecting Europe Facility (CEF) will simply be redeployed (i.e. redeployment of commitment appropriations within Heading 1A of the MFF);
- while the proposed regulation foresees a guarantee from the EU budget of €16 billion, only half of that is actually provisioned so far; decisions on the other half will still have to be taken after the Commission has submitted a report to the Council and the European Parliament on the functioning of the Fund in 2018.

When the three Institutions finally politically agreed on the EFSI regulations at the end of May 2015, the results were not far away from the original Commission proposal. Neither the Council nor the Parliament questioned the establishment of the Fund as such. In terms of funding, the EFSI Guarantee the Commission had proposed to redeploy €2.7 billion from Horizon 2020, €3.3 billion from the CEF and €2 billion from unused funds (margins) under Heading 1A. While the main concern of the Council was that under no circumstances should the Fund lead to an increase in the EU budget[14], the Parliament rejected the idea of using funds from Horizon 2020 and the CEF. The European Parliament wanted the Fund to be gradually filled via the annual budgetary procedure until it reaches

[14] See Agence Europe, "Juncker plan - political agreement at Council on EFSI", 11 March 2015.

€8 billion by 2022.[15] The compromise finally foresaw a cut of Horizon 2020 of €2.2 billion, a cut of the CEF of €2.8 billion and the use of the MFF margins of €3 billion. As regards Horizon 2020 it should be noted that some actions, such as the European Research Council and the Marie Curie actions, were excluded from contributing to EFSI on the request of the Parliament.

In setting up EFSI, member states, both net-payers and net-receivers, accepted a cut of major instruments in support of R&I, i.e. Horizon 2020 and the Connect Europe Facility. In this they were in line with the Commission and – in the end – with the European Parliament. Although one EFSI objective is to support investment in research, development and innovation the future has to proof how many funded projects will be devoted to this objective. According to the EIB, the bank approved €30.2 billion under the EFSI in 2016, of which €21.5 billion has been signed.[16] In terms of research, development and innovation operations, EFSI financing by the EIB has reached €2.9 billion[17] amounting to a total investment of €8.6 billion[18] as of February 2017 (in 48 projects), reflecting a leverage effect of 1:3.[19]

EFSI signals a continuation of "crisis" politics. For member states, the baseline for their agreement to establish the Fund was to abstain from increasing the EU budget. Instead, funds have been redeployed within the "Competitiveness" heading of the MFF. This move – i.e. shifting money away from Horizon 2020 and the CEF – was hardly debated amongst member states, and the extension of EFSI until 2020 as part of the current MFF revision reached consensus easily and without any request to the Commission for an impact assessment of EFSI first. Member states might see control gains over backflows from the EU budget by being offered the opportunity to propose their "own" projects to be funded through the EFSI project pipeline. However, this does not guarantee automatic funding as the final decision over funding will be taken by an Investment Committee of eight independent experts. On the other hand, redeploying funds away from the Framework Programme for research and innovation could be detrimental, particularly for the net-receiver countries, as for most of them the gross domestic R&D investments depend to a large extend on the EU

15 See Report on the proposal for a regulation of the European Parliament and of the Council on the European Fund for Strategic Investments and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013, EP Committee on Budgets/EP Committee on Economic and Monetary Affairs, 20 April 2015.

16 See http://www.eib.org/infocentre/publications/all/european-fund-for-strategic-investments-in-2016.htm (accessed on 24 February 2017).

17 Note that for eight projects no financial figures have been disclosed. Rinaldi and Núñez Ferrer (2017: 8) provide the same figure.

18 Note that for ten projects no financial figures have been disclosed.

19 Own calculations (signed projects and approved projects) based on the EIB EFSI project list on http://www.eib.org/efsi/efsi-projects/.

programme.[20] Nevertheless, in the end, the setting up of EFSI illustrates how easily funding instruments can be adapted to crisis situations if the political will exists and if it is in the putative interest of member states.

20 Share of Gross Domestic Expenditure on Research and Development (GERD) funded by Framework Programme Seven 2007-2014: Cyprus 80%; Bulgaria 44%; Malta 43%; Latvia 35%; Estonia 29%; Romania and Hungary 21% (Commission calculation based on Corda database and Eurostat analysis).

4 The negotiation process: determinants of the agreement on the post-2020 budget

In this section, we discuss those factors that will have the most decisive impact on the post-2020 budget. In terms of the logic of the upcoming negotiations, we will analyse to what extent the division between net contributors and net beneficiaries of the MFF will again dominate the bargains and what variants of that logic may evolve compared to negotiations on multiannual financial frameworks in the past. The sub-section on the preferences and interactions of the EU institutions asks for the positions the European Commission, the Parliament and the Council have adopted since the presentation of the mid-term review of the current MFF as well as for the lines of conflict that exist among them.

We then turn our attention to the member states' level to find out whether there could be individual member states or coalitions of member states that may advocate for comprehensive reforms of the post-2020 budget. The role of stakeholders and pressure groups will be analysed especially in view of their activities regarding the main expenditure programmes of the European budget. Finally, we will have a look at data that provide forecasts of the economic and social development in Europe throughout the negotiation process. This is important, because these developments will certainly have consequences not only for funding priorities of the next MFF, but also for the preferences and bargaining positions of individual member states.

4.1 The logic of the upcoming budget negotiations

The net contributor vs. net beneficiary logic in EU budget negotiations – which had its origins mainly in Margaret Thatcher's fight since 1980 to reduce Britain's payments – intensified in 1998. At that time, preparations were launched for the multiannual framework for 2000-2006, the first that fully integrated the ten Central and Eastern European countries that entered the Union in 2004. Ahead of the negotiations, four net-contributor countries (Austria, Germany, the Netherlands, and Sweden) informed the European Commission that they consider their negative budgetary position as "excessive relative to their prosperity" (Commission of the European Communities 1998: 23). Until December 2003, the group of net contributors had further consolidated. Well before the negotiations on the MFF for 2007-2013, six net contributors (Austria, France, Germany, the Netherlands, Sweden, and the United Kingdom) published a letter in which they aired their common understanding to limit the overall ceiling of the MFF to 1 percent of the EU's gross national income (Brehon/Kaiser 2013: 50). Only with the MFF for 2014-2020 did the net contributor vs. net beneficiary logic materialize in the form of two "camps" in which almost all member states were organized: the net contributors as the "friends of better spending" (Austria, Finland, France, Germany, Italy, the Netherlands, and Sweden, but not the UK any more) and the net beneficiaries as the "friends of cohesion" (Bulgaria, Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia, and Spain). Considering the outcome of the negotiations, it can be said that the camp of the net contributors "scored a victory", mainly because they were in a much more favourable strategic position vis-à-vis the net beneficiaries, whose camp was weakened by the fact that some of the members were already beneficiaries of stabilization funds offered during the Euro-crisis.

We assume that the net contributor vs. net beneficiary logic will also prevail in the upcoming negotiations, but under different premises. As Haas and Rubio (2017b: 9) have shown, the net contributors would be quite differently affected if the post-Brexit MFF maintained the level of current spending, reduced only by the amount of EU transfers from the UK. Austria, Germany, the Netherlands and Sweden would be confronted with an increase of their national contributions by 14% to 16% while other members of the "friends of better spending" would face a significantly lower increase of expenditures of about 7%. Apart from that, the four countries with the highest burden are also the countries that currently profit from a rebate on the British rebate, meaning that they must pay only 25% of their normal financing share needed to correct the British rebate. Therefore, these four countries might establish a coalition aimed at maintaining rebates even beyond 2020 as correction mechanisms for net contributor countries.

Given that, it does not come as a surprise that a new net contributor camp has not yet entered the scene. Rather, up to now there are only a few official statements from the net contributors' side. The Austrian foreign minister, Sebastian Kurz, claimed in a press statement that his country is not ready to increase its payments for the next MFF.[21] A similar statement was made by Swedish foreign minister, Margot Wallström, who told the BBC that the overall EU budget must become lower to make sure that other member states do not contribute more to make up for the British share.[22] German Deputy Finance Minister Jens Spahn directly related Brexit to the size of the future budget: "The budget will shrink initially. If the EU shrinks, and there are fewer funds available, the EU budget needs to be shrunk accordingly".[23]

[21] "Austria won't increase contribution to EU budget after Brexit", Euractiv.com, 27 April 2017.

[22] "What the EU27 wants from the Brexit", Politico.eu, 29 March 2017.

[23] "Jens Spahn: EU Budget will not automatically remain the same once the UK leaves", Politico, 16 November 2016.

Changes are also likely on the side of the net beneficiaries. Here we can expect that the number of member states that will find a common position could be smaller compared to the former group of the "friends of cohesion." A first indication has been an initiative launched by the four countries of the "Visegrad group" (Czech Republic, Hungary. Poland and Slovakia), who joined forces with Bulgaria, Croatia, Romania and Slovenia in preparing a paper on EU cohesion policy after 2020 in which they argued that the "long-term development support of cohesion policy should remain stable and predictable".[24]

There are good reasons to assume that there will be a third group of countries that will not automatically align either with the group of net contributors or with that of the net beneficiaries. This is because a growing number of member states are currently situated on the brink of the two camps at least in terms of their per capita share to the EU budget. This holds, inter alia, for Belgium, Cyprus, Ireland, Italy and Spain. During the negotiations, their focus could be more on the financial resources delegated to individual programmes instead of the overall ceiling of the MFF.

There is another important aspect often neglected in the scientific literature. A multiannual financial framework is not only a politically controversial institutional arrangement, but also a complex technical issue. Because of that, representatives from national finance ministries gather in preparatory working groups of the Council and start their work on the upcoming MFF already well before the European Commission presents its proposal. The approach of national civil servants is usually determined by a "juste retour" logic, based on models and scenarios developed in member states' ministries that allow for the early assessment of the implications of different proposals for national budgets. Therefore, even if there would be a political will to reform the next MFF in a substantial way, respective plans would probably not fit with the assessment and evaluation tools established within the national arena and would therefore generate a significant amount of insecurity about the domestic consequences of the reforms.

In sum, we consider it likely that there will be another reconfiguration of the established camps of the net-contributors and net-beneficiaries. This could lead to a situation in which a majority of the member states has no stable preference in terms of the overall budget ceiling. The political bargain would be centred more around the funds needed for specific policies instead of level of investments required at the European level. Accordingly, member states' governments would focus very much on the financial means they generate out of the different EU spending programmes. This could produce conflicts mainly over policy priorities and budget headings while national contributions to the budget would be

[24] "Joint Paper of the Visegrad Group, Bulgaria, Croatia, Romania and Slovenia on Cohesion Policy after 2020", Warsaw, 2 March 2017.

pushed in the background. In contrast to the context of negotiations for the current MFF, the four net-contributor countries that provide for the highest net-share to the budget are in a strategic dilemma situation. For Austria, Germany, the Netherlands and Sweden a non-decision on the post-2020 MFF is not a plausible option, because it would uphold the level of current EU spending even after the exit of the third-largest net-contributor. We can therefore assume that at least these four countries from the net-contributors camp should be strongly united in their attempt to reduce the current level of MFF expenditures. The "Visegrad plus 4 group" will concentrate on maintaining the level of financial means available for the EU's cohesion policy. This leaves us with a majority of 15 member states that could enter the negotiations with a relatively open-minded approach towards delegating sufficient financial resources to certain policies and "challenges" that provide for an added value at the European level.

4.2 The preferences and interactions of the EU institutions

The European Commission is expected to present its proposal for the post-2020 MFF by summer 2018 at the latest. Ahead of the proposal, there have been two developments at the European level which will have an impact on the budget negotiations. First, as required by the current MFF regulation[25] the Commission has presented a mid-term review of the functioning of the MFF, including five legislative proposals to revise the current MFF, on 14 September 2016 (European Commission 2016a). The mid-term review serves as a rare opportunity for presenting reforms to the MFF. Particularly the European Parliament strongly insisted during the MFF negotiations on such an obligatory review to enable the newly (in June 2014) elected Parliament to reassess the MFF priorities (European Parliament 2011).

Second, with a clear perspective on the post-2020 MFF a "High Level Group on Own Resources" (HLGOR) was established "to examine how the revenue side of the EU budget can be made more simple, transparent, fair and democratically accountable" (HLGOR 2016: 6). This so-called Monti-Group[26] presented its report in January 2017 putting forward nine recommendations, mainly pointing to a reform of the system of own resources that "could be based on a combination of new resources stemming from production, consumption and environmental policies" (HLGOR 2016: 8). At the same time the High Level Group made clear that a reform of the revenue side must go hand in hand with a reform of the expenditure side to be able to address new priorities.

In the following, we analyse both developments to assess the preferences and interactions that could dominate the MFF negotiation phase in the horizontal dimension of the multi-level bargaining game.

---

[25] See Council Regulation No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020, OJ L347, 20 December 2013, pp. 884-891.

[26] Named after former Commissioner and Prime Minister of Italy Mario Monti who chaired the group.

The Commission's proposal for the revision of the current MFF was fully written in the spirit of the multiple crises the EU is facing. Consequently, the proposal sought to allocate an extra €6.33 billion to growth-related activities (Heading 1A; 22.1% of the extra amount, with Horizon 2020 receiving 6.3% of the extra amount), youth unemployment (Heading 1B; 15.8% of the extra amount), migration (Heading 3; 40.3% of the extra amount) and security (Heading 4; 21.9% of the extra amount), without touching the MFF ceilings, while the European Parliament (2016a; 2016b) requested to go beyond the current ceilings. The Commission listed another €1.8 billion for migration and another €4.6 billion to fight youth unemployment, the integration of refugees and supporting investments in combination with EFSI. However, both envelopes had already been part of earlier financial exercises and were therefore not genuinely new. The proposal for a mid-term review did not touch the reform of the revenue side of the MFF, but simply referred to the report of the High Level Group on Own Resources (HLGOR 2016). Table 3 provides a comparison of the Commission's proposals with the figures adopted by the Council on 20 June 2017.[27]

The main elements of the Commission's plan were prolongation of the European Fund for Strategic Investments (EFSI) until 2020 and doubling its financing capacity (European Commission 2016b), fresh money for programmes that experienced EFSI-related cuts (like Horizon 2020 and the Connecting Europe Facility), extending the Youth Employment Facility, setting up a Partnership Framework with third countries under the European Agenda on Migration, and setting up a new European Fund and Guarantee for Sustainable Development to address the migration and security challenges (European Commission 2016c). The Commission's communication said little about the financing of the proposals other than "the initiatives proposed by this mid-term review make use of the budgetary margins available under the MFF" (European Commission 2016a: 12). The Commission admitted that using the margins would almost completely restrict the budget's ability to react to unforeseen events until the end of the current MFF. Therefore, the proposal also included several measures to simplify the financial rules, including the suggestion to create additional funds outside the MFF (so-called Trust Funds, which so far are only used for external action[28]). Such creation of budgets outside the MFF was criticised by the European Parliament, which called on the Commission to keep a greater emphasis on the unity of the budget (European Parliament 2016a: point 69). In its resolution of October 2016 reacting to the Commission's proposal, the European Parliament communicated its position regretting that the Commission did not propose "an upward revision of the current MFF ceilings" as "a clear and sustainable solution to the financing of the estimated needs of EU policies" and demands "a

[27] Thillaye (2016) provides a comprehensive overview of the different positions on the review of the European Parliament, the European Commission and the Council.

[28] One of such funds is the "Madad Fund", created in December 2014, to respond primarily to the needs of Syrian refugees in neighbouring countries.

Table 3 Mid-term review (in EURO millions, current prices)		
Heading	*Proposal by the Commission*	*Adopted by the Council on 20/6/2017*
Heading 1A: Competitiveness for Growth and Jobs	**1.400**	**875**
– Horizon 2020	400	200
– CEF Transport	400	300
– Erasmus+	200	100
– COSME	200	100
– Prolongation of EFSI	150	150
– WiFi4EU	50	25
Heading 1B: Economic, Social and Territorial Cohesion	**1.000**	**1.200**
– Youth Employment Initiative	1.000	1.200
Heading 3: Security and Citizenship	**2.549**	**2.549**
Heading 4: Global Europe	**1.385**	**1.385**
Total	**6.334**	**6.009**

Source: European Commission (2016a: 16) and Council of the European Union (2017).

full offsetting of the EFSI-related cuts affecting Horizon 2020 and Connecting Europe Facility" (European Parliament 2016b: points 7 and 8).

It is obvious that the Commission continues to build more and more on so-called "financial instruments". Establishing and extending the EFSI is exemplary in this regard. The aim of this approach is to leverage private funding through public money. The possibility that this model will be further expanded in the post-2020 MFF as a means to "achieve more with less money" (European Commission 2016a: 2) and build on the "EU Budget Focused on Results (BFOR)" initiative[29] cannot be ruled out.

Besides the general MFF review, the Commission will pursue sectoral mid-term evaluations of its major expenditure programmes. Regarding the EU's research and innovation programme, Horizon 2020, the Commission conducted a public consultation[30] between October 2016 and January 2017 to feed into the obligatory interim evaluation.[31] The interim evaluation document was adopted

[29] See http://ec.europa.eu/budget/budget4results/index_en.cfm (accessed 23 February 2017).

[30] See http://ec.europa.eu/research/evaluations/index_en.cfm?pg=h2020interim_stakeholder (accessed 22 February 2017).

[31] Article 32(3) of the Horizon 2020 Regulation makes an interim evaluation obligatory by 31 December 2017 (see OJ, L 347, 20 December 2013, p. 119).

in May 2017 (European Commission 2017d). It has been followed by a report of an independent high-level expert group led by former Commissioner and WTO Director Pascal Lamy in July 2017 (European Commission 2017i). Both the interim evaluation and the more forward-looking Lamy report will serve as a basis for a political communication the Commission is planning to table until the end of 2017 setting out the broad lines for the next research and innovation framework programme, before the legislative proposal will follow either jointly with the proposal for the next MFF or shortly afterwards.

As regards the Common Agricultural Policy, the European Commission launched a public consultation on the future of the policy on 2 February 2017. According to the Commission, the input will be used "to help draft a Communication, due by the end of 2017, that will include conclusions on the current performance of the Common Agricultural Policy and potential policy options for the future based on reliable evidence".[32] For the third big expenditure bloc, the structural and cohesion policy, the Commission has not yet revealed any plans for a review, but will use several stakeholder events and the obligatory ex-ante impact assessment to prepare for the post-2020 phase.

All in all, the mid-term review of the current MFF remained vague on possible future directions. The Commission referred generally to future challenges that the next MFF needs to address, including the assessment of the effectiveness of existing policies (i.e. cohesion policy, the Common Agricultural Policy, external action instruments) and the exploration of potential new areas for contributions, such as the completion of the Economic and Monetary Union as well as defence and security (European Commission 2016a: 14). The Commission had been cautious with its proposals in terms of content and timing due to the UK vote on Brexit and general negative sentiments about Brussels (cf. Thillaye 2016: 61).[33] As any MFF revision requires unanimity and "national" envelopes (for example, all structural funds and direct payments) are ring-fenced, there is never an appetite to fundamentally reopen budget discussions.

In June 2017, the Commission presented its reflection paper on the future of EU finances (European Commission 2017h). In this paper, the Commission had put down its ideas on the EU budget priorities and structures in relation to the five different scenarios for the future of Europe (European Commission 2017a). The reflection paper anticipates that future EU financing will have a greater focus on issues such as defence and internal and external security. It, moreover, highlights the Sustainable Development Goals "as an anchor of EU policy both internally and externally" (European Commission 2017h: 13) and emphasises investments in public goods as well as the reform of the CAP and the cohesion

[32] See European Commission "The European Commission launches public consultation on the future of the Common Agricultural Policy", Press Release, Brussels, 2 February 2017.

[33] See also, for example, "Brussels presses the hold button on Brexit", Politico.eu, 18 May 2016.

policy. The Commission puts forward four points that any future budget should fulfil: ensure that EU money is spent in the most efficient way; be simple; be flexible to respond to unexpected developments; and no rebates (ibid: 30).

As concerns the revenue side, first reactions in the Council to the Monti report revealed that most member states do not show much appetite for a revision of the system of own resources. Sweden, Croatia, Poland, Latvia, Greece, Denmark, Germany and the Netherlands confirmed that the current system works well, while a number of countries (such as Hungary, Romania, Croatia and Greece) asked to reform or get rid at least of the own resource based on VAT. Some of the cohesion countries, such as Romania, Hungary, Latvia and Greece, took the opportunity to express early on their interest to keep the so-called traditional policies (e.g. agriculture, cohesion) in place.[34] The German government, in an official report issued by the Federal Ministry of Finance, even argued that claims made by the European Parliament and the Commission to establish new tax-based own resources for the European Union could be mainly motivated by political considerations, meaning that those taxes could broaden or strengthen competences at the European level.[35] This does not mean, however, that recommendations made by the Monti Group will not play a role in the upcoming negotiations. One has to take into account that the group was equally comprised of representatives from all three EU institutions involved in the negotiations on the post-2020 MFF. Given that the final report was unanimously supported by all members of the group, it is quite difficult to see how member states' governments could ignore recommendations that were supported even by Council representatives. We therefore conclude that new own resources will play a role in the negotiation process. It seems realistic that there will be a soft entry into that field at a relatively low impact level for the member states. In this respect, the delegation of resources gained from the European Emission Trading System (ETS) would be a relevant candidate for providing own resources stemming from a common European carbon tax.

All in all, the influence the different EU institutions will have on the post-2020 MFF will very much depend on the duration of the negotiation process. We have to keep in mind that a new European Parliament will be elected in May 2019 followed by the inauguration of a new European Commission. There are very good reasons to assume that both the current Juncker Commission as well as the member states' governments should be interested in finalizing the negotiations before the EP elections.[36] For the European Parliament, an early completion of the negotiations could pose a problem, as it would mean that the

[34] See Agence Europe, "Several finance ministers feel that the current system of resources works well", 27 January 2017.

[35] Bundesministerium der Finanzen, 2017: Hochrangige Arbeitsgruppe für Eigenmittel (‚Monti-Gruppe'), Berlin, 23 February 2017.

[36] See, for example, Agence Europe, "Oettinger anticipates one year of intensive negotiations from summer 2018 on forthcoming MFF", 21 June 2017.

newly elected Parliament would have de facto no say in a budget that would be fixed for the whole legislative period. A solution to that problem might be to include again regulations for a mid-term revision that would allow not only for a redistribution of resources across budget lines, but also for a re-negotiation of the overall budget size. Given the high time pressure under which the post-2020 MFF will be negotiated, we expect neither much reform enthusiasm from the Commission nor the establishment of a coalition between the Commission and the Parliament. Consequently, drivers for change would be, if at all, the member states' governments.

4.3 Member states' capacity as policy entrepreneurs

The budget review, conducted between 2007/8 to prepare for negotiations on the MFF 2014-2020, provides some evidence that member states are, in principle, ready to take even significant changes in EU financial affairs into consideration. At that time, a number of member states' governments expressed their willingness to delegate more resources to growth policies, such as research, innovation and competitiveness. They also shared, albeit in varying degrees, the conviction that it is high time to substantially reform the budget. Nevertheless, there were also some aspects on which the member states differed along the net contributor/ net beneficiary cleavage. While all net contributor governments opposed both the increase of the overall level of expenditures and the establishment of autonomous financial sources for the EU, the net beneficiary governments considered both aspects as relevant topics on the reform agenda. All in all, based on the national governments' statements, it is fair to say that there had been a broad agreement among the member states to substantially review all major EU expenditure policies. The statements also revealed that the budget review process established a number of key reform concepts to which the member states generally subscribed. These concepts concerned the need for a proven European added value, better management of the funds, and a concentration of resources on the future European challenges. For different reasons (see Kaiser/ Prange-Gstöhl 2010), the budget review finally had little impact on the MFF 2014-2020 negotiations. However, it became clear that within the limits of the established "juste retour" logic there is room for reform initiatives of the member states.

Against this background, we will now analyse the entrepreneurial capacity of the member states in view of the post-2020 budget.[37] By doing this, we will have a special focus on the "Franco-German axis" which always played an important role in identifying and advertising consensus lines during budget negotiations. This holds especially for the "difficult cases," such as the MFF 2007-2013, the first one which fully integrated the ten new Central and Eastern European member states which entered the Union in 2004. In 2005, during the pre-negotiation phase, France and Germany agreed on a "quid pro quo" that paved the way

---

[37] Thillaye (2016) also examines some early indications of member states' positions.

for the consensus on the new MFF. While France agreed to the German claim to fully integrate the new member states into the MFF, Germany supported France in terms of the continuation of the 2002 reform in EU agricultural policy (Brehon/Kaiser 2013: 53).

A Franco-German initiative could also play a crucial role for the post-2020 MFF. The victory of Emmanuel Macron in the French presidential elections in May 2017 could help to bring some of his "pro-EU visions" to the table of the budget talks. In this respect, certainly the most important idea is to establish a special budget for the Eurozone as well as the plan to set up a European Defence Funds that could be used to provide financial means both for the procurement of military equipment as well as for the financing of military research. For the latter, the European Commission published a proposal in June 2017 (European Commission 2017f). The former idea, however, certainly is a much more "radical" approach, especially because it raises questions about the link and the relation between a Eurozone budget and the MFF.

Unsurprisingly, the European Commission reacted to the idea of a Eurozone budget with restraint. In its "Reflection Paper on the Deepening of the Economic and Monetary Union" (European Commission 2017e), the French proposal is only casually mentioned. The Commission points out that such a budget "may rather be a long-term goal, taking into account the relationship with the general EU budget over time with an increasing number of euro area countries" (European Commission 2017e: 26).

As for now, we do not intend to speculate on whether a Eurozone budget will be discussed in the upcoming negotiations. We have, however, a clear understanding of the time horizon in which a window of opportunity could open for entrepreneurial activities. It is quite likely that it will not open before the federal elections in Germany which will take place on 24 September 2017, and it might be already closed when the European Commission presents the proposal on the post-2020 MFF. This would mean that we are talking about a period of about six to nine months between October 2017 and spring/summer 2018. There is one important event during this phase which is the December European Council that will discuss another reflection paper the European Commission will prepare on the impact of its five reform scenarios for the future of Europe's finances.

4.4 The political influence of stakeholders and pressure groups

In general, stakeholders and public interest groups have limited influence on bargaining processes for a multiannual financial framework. They may, however, put significant pressure on member states' governments and European institutions when it comes to the future shape of the main expenditure programmes. In order to analyse the potential impact of stakeholders and pressure groups, it is important to recognize that from the perspective of the EU Treaty even state actors, such as governments/parliaments at the subnational level of federal or regionalized member states, are considered stakeholders. That is why we include them in the analysis presented in this section.

In terms of the main EU expenditure programmes, the European Commission has conducted a mid-term evaluation only for Horizon 2020, the EU's programme for research and innovation. As for agriculture, a public consultation took place between February and May 2017 on the outcomes of the 2013 reform and the future challenges in this policy area, but results have not yet been published. Anyway, when inviting stakeholders to the consultation the Commission already made clear that the consultation will focus on "specific policy priorities for the future […] without prejudice to the financial allocations for the CAP in the next Multiannual Financial Framework (MFF)".[38] In the field of regional and cohesion policy, consultations have recently been conducted, but they focussed on rather specific issues (such as smart specialization) and were not aimed at a comprehensive impact assessment of that policy area.

Consequently, at this moment, a systematic analysis of the influence of stakeholders on the further development of the main funding programmes is difficult. Public consultations, if they were conducted, did not consider the financial dimension of future policy priorities. Even the mid-term evaluation of Horizon 2020 did not produce clear messages for the future shape of European R&I funding (and it was certainly not designed to do so). The Commission's report on the evaluation exercise leaves it with an emphasis on the already known problems of oversubscription, the lack of flexibility, and the programme's complexity (European Commission 2017d). The Commission is planning a stakeholder consultation particularly on the next Framework Programme at the beginning of 2018.[39]

At this point, we therefore consider the most important stakeholder activities to be direct interventions with the relevant actors involved in MFF negotiations (which is difficult to assess) as well as interest representation at the national level. In the first case, for example, research and innovation stakeholders at the EU level, such as the European University Association (EUA[40]), the League of European Research Universities (LERU[41]), the European Engineering Industries Association (Orgalime[42]) or the European Association of Research and

38 'Factual Summary. Online public consultation on Modernising and Simplifying the Common Agricultural Policy (CAP)', European Commission, Brussels, 3 May 2017.
39 See http://sciencebusiness.net/news/80311/Brexit-winds-buffet-planning-for-next-EU-research-programm (accessed 6 June 2017).
40 http://www.eua.be.
41 http://www.leru.org.
42 http://www.orgalime.org.

Technology Organisations (EARTO[43]), accelerated their lobbying during the first half of 2017 vis-à-vis EU institutions, mainly by presenting position papers on the future shape of the Framework Programme.

At the national level, we have remarkable examples of activities that will certainly have an impact on preferences and bargaining strategies of national governments. In Germany, for example, the Bundesrat – the federal chamber representing the states in federal affairs – had already agreed in December 2016 on a resolution in which the Länder presented a comprehensive list of claims regarding the structure, the financial instruments and the future shape of the funding programmes of the post-2020 MFF (Bundesrat 2016). Given the strong position of the Bundesrat in defining Germany's position in European affairs (e.g. the chamber will have to agree to many aspects that will be under discussion in the Brexit negotiations), it is obvious that the demands of the Bundesrat will significantly reduce the government's freedom of action in the MFF negotiations. This holds, inter alia, for changes in cohesion policy where the German Länder will certainly not accept a reform which would end European funding even for the well-developed regions.

Other regional representation throughout Europe uses the Committee of the Region (CoR) as their main channel of influence on the post-2020 MFF. The CoR itself has established an alliance with local and regional interest groups and federations in May 2017 in order to push for a strong cohesion policy even after 2020. Actors involved in that alliance are, inter alia, EUROCITIES, the Council of European Municipalities and Regions, and the Conference of Peripheral Maritime Regions in Europe.

4.5 The economic and social conditions under which the next MFF will be negotiated

As we have already discussed, many policy initiatives the European Union has taken in recent years have been developed under the "crisis paradigm". The impact of the 2008 financial crisis was constitutive of the reduction of investments in the current MFF, but also for later new funding initiatives, such as the European Fund for Strategic Investments. It is therefore important to assess under which economic and social conditions the negotiations on the post-2020 MFF will take place. Data available from the Spring 2017 European Economic Forecast allow for an evaluation of the situation in 2018 and thus of the period in which negotiations will start (European Commission 2017g).

The key message of the report is that Europe will experience continuing economic growth at a steady pace, robust job creation, and increasing private consumption, but also relatively slow growth in public investments and constrained wage growth. Based on the economic forecast, it should be quite difficult to argue

[43] http://www.earto.eu.

in favour of more extensive public investments at the European level. The data reveal that public investments will increase at the national level, while there will still be many member states that will have significant budget deficits. Obviously, Europe does not generally suffer from weak economic development, but from serious economic and social problems that concern individual member states or groups of countries. GDP growth is below average only in Italy, but the unemployment rate will be far above average in Greece, Spain, Italy and

Table 4 Europe's economic forecast 2018 (compared to 2017)

Country	*GDP growth (%)*	*Unemployment rate (%)*	*Public expenditures (% GDP)*	*Structural budget balance (% GDP)*
Belgium	1.7	7.4	2.5	-2.0
Germany	1.9	3.9	2.3	0.3
Estonia	2.8	8.6	5.4	-0.7
Ireland	3.6	5.9	2.0	-0.3
Greece	2.5	21.6	3.1	3.1
Spain	2.4	15.9	2.2	-3.4
France	1.7	9.6	3.5	-2.8
Italy	1.1	11.3	2.2	-2.2
Cyprus	2.3	10.6	2.3	-0.4
Latvia	3.5	8.7	4.0	-2.4
Lithuania	3.1	7.2	3.1	-1.1
Luxembourg	4.4	6.0	3.7	0.1
Malta	4.4	4.9	2.8	0.7
Netherlands	1.8	4.4	3.3	0.4
Austria	1.7	5.9	2.9	-0.9
Portugal	1.6	9.2	2.1	-2.4
Slovenia	3.1	6.3	3.3	-2.3
Slovakia	3.6	7.6	3.3	-0.9
Finland	1.7	8.2	3.9	-1.4
Euro Area	**1.8**	**8.9**	**2.7**	**-1.3**
Bulgaria	2.8	6.4	4.2	-0.3
Czech Republic	2.7	3.5	4.0	-0.2
Denmark	1.8	5.7	3.6	-0.1
Croatia	2.6	9.7	3.5	-2.1
Hungary	3.5	3.9	5.6	-3.7
Poland	3.2	4.4	4.0	-3.1
Romania	3.7	5.3	3.9	-4.0
Sweden	2.2	6.6	4.5	0.8
EU	**1.9**	**7.7**	**2.8**	**-1.5**

Source: European Commission (2017g).

Cyprus, while structural budget deficits remain very high in France, Spain, Portugal, Hungary, Poland and Romania. It is also remarkable that variations exist to a lesser extent between insiders and outsiders of the Euro area, but are significant within each group. The data also provide no evidence that economic development trends are generally more favourable for net contributor countries than they are for net beneficiaries (see table 4).[44]

It seems thus obvious that the EU member states still lack coherence in their economic development. Given that circumstance, there will be few convincing arguments for a decrease of funds in regional and cohesion policy, but maybe very plausible ones in favour of new instruments that could support more coherence. We will further discuss this aspect in the next section in which we summarize our assumptions for the structure, the priorities and the instruments of the post-2020 MFF.

[44] Note that this does not exclude diverging trends within a country.

5 Conclusions: scenarios for the future of the EU budget

Based on the analysis we have presented in the previous section, we now return to our conceptual assumptions to develop scenarios for the future of the EU budget. We will do that in three steps. First, we will have a look at the overall structure of the post-2020 MFF, its duration, its overall budget ceiling and its relation to other initiatives that (could) have a separate financial basis. Second, we will turn to priorities and instruments. In the respective subsections, we will discuss the distribution of funds across already existing budget headings, but also the question of how new priorities might be funded. At the level of instruments, we will have a look at changes that might occur within existing funding programmes. Here we will also make assumptions about the future development of investments in research and innovation, the core areas of growth policies. And third, we want to evaluate what quality of change the new MFF will most likely produce. For that, we will assess to what extent the respective dynamics still follow the logic of path-dependent development or whether they would indeed be path-breaking reforms.

5.1 The structure of the post-2020 MFF

The structure of the post-2020 MFF is likely to be maintained. Its key component, the direct linkage between the main expenditure lines and the three most important Union programmes (i.e. for agricultural policies, for structural and cohesion policies, and for research and innovation policies), generates significant reliability of expectations for the member states, but also for the European Commission as the administrator of the programmes. The MFF structure has already proven that it is capable of handling incremental reforms, such as the gradual decrease of expenditures for the common agricultural policy in favour of regional and cohesion policy. It also already includes budget lines under which the new priorities could be funded, i.e., Headings 3 and 4 for foreign and migration policies. Moreover, there are already several examples which show that even new activities can be financed either within the MFF structure or by individual member states' contributions outside the MFF. Examples for financing new activities within the MFF structure are the various funds and the use of the flexibility instruments. Examples for new funding outside the MFF are the European Development Fund (EDF) and the European Security and Defence Policy (Athena-Mechanism). Albeit stable as a financial framework, the MFF never prevented EU policy actors from significant reforms of the main expenditure programmes. The establishment of the European Research Council for the funding of basic research, changes in terms of the priorities in regional and cohesion policy (esp. in terms of including more science- and innovation-related targets) and the "greening" of agricultural policy were all possible without significantly changing the respective budget shares these programmes have.

Furthermore, we do not foresee that the post-2020 MFF will generate the same level of investment as the current MFF does. This assumption does, however, not consider the aspect that the British government might finally accept significant transfers to the EU as a condition for Brexit. Without those transfers, keeping the budget at the current level would not only put considerable burden on many net contributors, it would also mean that even net beneficiaries would have to agree to higher national contributions. It is, however, also not very likely that the post-2020 MFF will be cut exactly at the level of the British contribution. There is obviously enormous pressure to provide sufficient financial means for the new challenges. To a certain extent, funds could be taken from the agricultural budget, which will most likely further decrease (alternatively or additionally agricultural policy could be attributed a greater research and innovation component). But there is very little redistribution mass in the two other areas of cohesion and research and innovation. Increasing revenues would, of course, be an option, but we do not consider it as a plausible outcome of the MFF negotiations. The simple reason is that all measures proposed by the Monti Group score lower than current own resources on the indicator of "limiting political transaction costs" High Level Group on Own Resources (HLGOR 2016: 89). We therefore conclude that a change of the own resources system needs to be framed with a much broader reform that would render political transaction costs more acceptable. This could be achieved by the establishment of a Eurozone budget, which we do not see for the post-2020 MFF. This is because of the obvious distrust the European Commission has vis-à-vis the Eurozone budget. The European Parliament might consider it more open-minded, but only as an add-on to the MFF, and certainly not at the expense of funds foreseen for the MFF. Apart from that, up to now there has not been a substantial discussion about the question of the need for new correction mechanisms if tax-based own resources for the European Union would be established.

A third important aspect regarding the structure of the forthcoming MFF concerns its duration. Especially the European Parliament advocates in favour of a five years or even a five plus five years period. At first sight, the justification for a deviation from the current seven year period seems reasonable. Without the change, the next two elected European Parliaments would have no chance to decide on a budget which they would also control afterwards. Nevertheless, for at least two reasons, we consider a change unlikely. First, it would provoke considerable technical adjustments to the most important EU funding programmes without providing a substantial functional advantage. Second, and probably more important, the change would intervene in the institutional equilibrium between the Parliament and the Council. It would provide the Parliament with the opportunity to politicise budget negotiations even more than it has already done in 2014 in regard to the selection of the EU

Commission's President. Therefore, it seems rather unlikely that EU member states would support such a proposal except it will be legally fixed that a five year period for the upcoming MFF would be an extraordinary exception.

5.2 Priorities and instruments

While we are very sceptical in terms of path-breaking reforms at the structural level, our analysis shows that there are indeed indications for considerable, but incremental, change at the instrumental level. This holds especially for:

- *The redistribution of funds across budget lines*: as discussed before, such a redistribution across headings has already taken place, mainly from agriculture to cohesion funds, especially since 2007. This trend might be reinforced. Compared to the other main spending policies, the common agricultural policy lacks an undisputed European added value. Rather, there are many good reasons mentioned in the political discussion that would support a re-delegation of certain parts of the CAP back to the member states' level. From a political point of view, it is important to notice that France – as one of the most important supporter of the CAP – developed into a net contributor to the agricultural funds and could therefore reconsider its traditional pro-CAP position.
- *Higher investments in research and innovation*: as discussed before, funds originally delegated to support research have recently become victim of new policy initiatives for which money was needed, but not available under MFF regulations. There is a simple reason why the Horizon2020 programme is an especially soft target for respective outflows of funds. It is the only major EU funding programme which does not have contractually-indented commitments for the whole MFF period. Horizon2020 therefore suffered again when the European Commission proposed a new initiative to support military research on 7 June 2017. Ninety million Euros were taken away from the programme to support research and innovation in defence technology. For the period after 2020, the Commission proposed even higher investments of 500 million Euros to be provided under a dedicated "Defence Research Programme".[45] Consequently, even if there are currently demands for contributions of up to 100 billion Euros for research after 2020, it does not necessarily mean that this money would be available for the kind of research currently funded under Horizon2020. On the contrary, there are indications that the next Framework Programme for research and innovation will be even more industry-driven. The establishment of the European Innovation Council (EIC) and the newly established High Level Group supporting the EIC are clear signals for a more pronounced support of innovation at the expense of research funding. This might indicate a remarkable step away from the previous paradigm in EU research and innovation policy, which always argued in favour of the need to better integrate and link research and

[45] "A European Defense Fund: €5.5 billion per year to boost Europe's defense capabilities", European Commission Press Release, Brussels, 7 June 2017.

innovation. We therefore assume that for certain elements currently funded under Horizon2020 the level of investment will be kept or even increase. This certainly holds for the European Research Council, which has an undisputed track record in terms of excellence and European added value. The situation appears to be different for the funding of large-scale collaborative research projects, which could come under pressure, although this funding area is already characterized by over-subscription and under-financing. In this case, a significant benefit would stem from greater flexibility within the MFF structure that could make "classical" research funding less vulnerable in terms of upcoming financing needs. In addition, we expect more research and innovation elements to be integrated into the areas of agricultural and regional policies, which would allow for stabilizing their current levels of investment while it would make the programmes more attractive for regions that have a higher level of development.

- *New rules for the distribution of EU funds to the member states*: there is already a controversial debate about conditionality in terms of EU subsidies. Concerns about compliance with the rule of law in Poland and Hungary provoked statements, even by EU Commissioners[46], about the need to withdraw funds if member states do not respect basic norms of the EU Treaty. We do not consider new regulations in this respect very likely, but there are other aspects that could play a role. As shown above, the EU will enjoy quite a prosperous economic development at least in a short-term perspective, but it has largely failed to support coherent economic development across the member states. This indicates that there are very good reasons to establish new rules for the access to financial means provided through the cohesion, regional and social funds. Given the problem of coherence, it seems plausible to make payments conditional on the implementation at the national level of the "country-specific recommendations" developed and discussed during the annual "European Semester".
- *More comprehensive use of new financial instruments:* The post-2020 MFF could delegate more resources to "new public-private co-financing instruments" such as the EFSI. There are several activities, currently funded under Headings 1A and 1B, which would qualify for such arrangements. That would make resources available for activities which are traditionally dependent on grants, such as the support of basic and pre-market applied research. Since the structural budget balance improves in most of the member states (see table 4), it would also be plausible to make a shift from grants to credit-based financial means in regional policy, at least for programmes to be implemented in the more developed regions.
- *The potential of differentiated integration:* One of the key messages of the Commission's White Paper on the Future of Europe certainly is that the one-size-fits-all approach to European integration cannot count on lasting support any more. If so, the budget must react to that, meaning it needs much more

[46] "Brüsseler Kommissarin droht Osteuropäern mit Geldentzug", Spiegel Online, 7 March 2017.

flexibility in terms of access to funds. If, for example, member states decide to take more national responsibility for agricultural policy, they should gain better access to funds available for country-specific challenges, such as coping with the migration crisis. There is already evidence that respective considerations are under way, as the European Commission has presented the potential consequences of its White Paper scenarios for the future European finances (European Commission 2017h).

5.3 Dynamics of change

Our study is based on two competing assumptions concerning the post-2020 MFF: incremental adaptation to current European challenges vs. path-breaking change in consequence of a window of opportunity that opened because of the various crisis phenomena. Our analysis has shown that – as of now – the first alternative seems to be more plausible. There is, however, a critical condition. Incremental adaptation will take place only if negotiations can take place as a "normal" policy process. We have already introduced the differentiation between "normal" and "crisis" politics (section 2) for the time after 2007/8 when the financial crisis provoked a crisis approach to policies at the national level while EU institutions still maintained a modicum of "normal" policies. In a short-term perspective, exactly the opposite could happen. Most member states currently have a non-crisis perspective; many of them have overcome the consequences of the economic and financial turmoil of the crisis. At the European level, however, where "normal" politics were pursued for a much longer time, a shift towards crisis politics might take place if certain risks materialise.

There are the traditional risks – such as the resurgence of the Euro-crisis or political change in key member states (such as in Italy, where we can expect national elections with unpredictable outcomes) – but there are also the risks associated with Brexit. One of the main limitations of our analysis certainly is that it assumes that the negotiations between the United Kingdom and the EU will not affect normal EU institutional policies very much (such as MFF negotiations). On the contrary, if the UK accepted an exit bill of up to 100 billion Euros, the EU's budget negotiations could easily go on without any risk of obstruction and blockade. If, however, there is no deal between the EU and the UK until 2019, there is, of course a high risk that the remaining EU member states will not conclude their negotiations on the post-2020 MFF on time. As discussed before, the prolongation of the current MFF in the form of annual budgets for 2021 (or even longer) would certainly not be accepted by the net contributors. A significant reduction of the post-2020 MFF's ceiling will meet resistance from the net beneficiaries, even if it could be argued that without a Brexit deal it is not possible to agree on issues with medium- to long-term consequences. That is why we expect only a very short-term window of opportunity for path-breaking reforms under the premise of normal politics, but another one – with much more potential to change the logic of budget bargains – could open if the Brexit negotiations should fail.

References

Ackrill, Robert/Kay, Adrian (2006), "Historical-institutionalist perspectives on the development of the EU budget system", Journal of European Public Policy, 13(1), 113-133.

Begg, Ian (2005), Funding the European Union: A Federal Trust Report on the European Union's Budget, London: London School of Economics.

Begg, Ian (2007), The 2008/9 EU Budget Review, EU-Consent EU-Budget Working Paper No. 3.

Begg, Ian (2010a), Rethinking How to Pay for Europe, SIEPS European Policy Analysis, issue 2010:2.

Begg, Ian (2010b), Mollifying everyone, pleasing no-one? An assessment of the EU Budget Review, SIEPS European Policy Analysis, issue 2010:14.

Begg, Ian/Grimwade, Nigel (1998), Paying for Europe, Sheffield: Sheffield Academic Press.

Benedetto, Giacomo/Milio, Simona (eds) (2012), European Union Budget Reform: Institutions, Policy and Economic Crisis, Basingstoke: Palgrave/Macmillan.

Benedetto, Giacomo (2012), "Budget Reform and the Lisbon Treaty," in: Benedetto, Giacomo/Milio, Simona (eds) (2012), European Union Budget Reform: Institutions, Policy and Economic Crisis, Basingstoke: Palgrave/Macmillan, pp. 40-58.

Brehon, Jean-Nicolas/Kaiser, Robert (2013), "Die Vorbereitung der mittelfristigen EU-Finanzplanung – Ambivalente Rolle des institutionalisierten Bilateralismus", in: Demesmay, Claire/Koopmann, Martin/Thorel, Julien (eds), Die Konsenswerkstatt. Deutsch-französische Kommunikations- und Entscheidungsprozesse in der Europapolitik, Baden-Baden: Nomos, pp. 47-65.

Bundesministerium der Finanzen (2017), Hochrangige Arbeitsgruppe für Eigenmittel ("Monti-Gruppe"), Berlin, 23 February 2017.

Bundesrat (2016), Mitteilung der Kommission an das Europäische Parlament und den Rat: Halbzeitüberprüfung/Halbzeitrevision des mehrjährigen Finanzrahmens 2014-2020-Ergebnisorientierter EU-Haushalt COM(2016) 603 final, Beschluss des Bundesrates, Drucksache 512/16, 16 December 2016.

Cantwell, John (1999), "Innovation as the principal source of growth in the global economy", in: Archibugi, Daniele/Howells, Jeremy/Michie, Jonathan (eds), Innovation policy in a global economy, Cambridge: Cambridge University Press, pp. 225-241.

Citi, Manuele (2013), "EU budgetary dynamics: incremental or punctuated equilibrium?", Journal of European Public Policy, 20(8), 1157-1173.

Commission of the European Communities (1998), Financing the European Union. Commission Report on the Operation of the Own Resources System, COM(1998)560 final, 7 October1998, Brussels.

Council of the European Union (2005), Financial Perspective 2007-2013. Doc. 15915/05, 19 December 2005.

Council of the European Union (2017), Outcome of the Council Meeting, 3552nd Council meeting, General Affairs Council, 10502/17, Luxembourg, 20 June 2017.

De Feo, Alfredo (2017), "The European Budget: Motor or Brake of European Integration? A Walk through 40 Years of Budgetary Decisions", in: Becker, Peter/Bauer, Michael W./De Feo, Alfredo (eds), The New Politics of the European Union Budget, Baden-Baden: Nomos, pp. 33-82.

Diamond, Patrick/Liddle, Roger/Sage, Daniel (2015), The social reality of Europe after the crisis: trends, challenges and responses, London: Rowman & Littlefield.

Dür, Andreas/Mateo, Gemma (2010), "Bargaining power and negotiation tactics: the negotiations on the EU's financial perspective 2007–13", Journal of Common Market Studies, 48(3), 557-578.

Ederveen, Sjef/de Groot, Henri L.F./Nahuis, Richard (2006), "Fertile Soil for Structural Funds? A Panel Data Analysis of the Conditional Effectiveness of European Cohesion Policy", Kyklos, 59(1), 17-42.

European Commission (2005a), Working together for growth and jobs – A new start for the Lisbon Strategy, COM(2005)24 final, 2 February 2005, Brussels.

European Commission (2005b), More Research and Innovation – Investing for growth and employment, COM(2005)488 final, 12 October 2005, Brussels.

European Commission (2006a), Putting knowledge into practice: A broad-based innovation strategy for the EU, COM(2006)502 final, 13 September 2006, Brussels.

European Commission (2006b), An innovation-friendly, modern Europe, COM(2006)589 final, 12 October 2006, Brussels.

European Commission (2008), A European Economic Recovery Plan, COM(2008)800 final, 26 November 2008, Brussels.

European Commission (2009), European innovation scoreboard 2008, Comparative analysis of innovation performance, Luxembourg: European Commission.

European Commission (2010a), Europe 2020 - A strategy for smart, sustainable and inclusive growth, COM(2010)2020 final, 3 March 2010, Brussels.

European Commission (2010b), Europe 2020 Flagship Initiative Innovation Union, COM(2010)546 final, 6 October 2010, Brussels.

European Commission (2010c), Lisbon Strategy evaluation document, SEC(2010)114 final, 2 February 2010, Brussels.

European Commission (2011), Innovation Union Competitiveness Report, 2011 edn, Brussels: European Commission.

European Commission (2013), Multiannual financial framework 2014-2020 and EU budget 2014 – the figures, Brussels: European Commission.

European Commission (2014a), Taking stock of the Europe 2020 strategy for smart, sustainable and inclusive growth, COM(2014)130 final, 5 March 2014, Brussels.

European Commission (2014b), European Economic Forecast Winter 2014, Brussels: European Commission.

European Commission (2014c), An Investment Plan for Europe, COM(2014)903 final, 26 November 2014, Brussels.

European Commission (2015), Proposal for a Regulation of the European Parliament and of the Council on the European Fund for Strategic Investments and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013, COM(2015)10 final, 27 January 2015, Brussels.

European Commission (2016a), Communication from the Commission to the European Parliament and the Council "Mid-term review/revision of the multiannual financial framework 2014-2020: An EU budget focused on results", COM(2016)603 final, 14 September 2016, Brussels.

European Commission (2016b), Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) No 1316/2013 and (EU) 2015/1017 as regards the extension of the duration of the European Fund for Strategic Investments as well as the introduction of technical enhancements for that Fund and the European Investment Advisory Hub, COM(2016)597 final, 14 September 2016, Brussels.

European Commission (2016c), Proposal for a Regulation of the European Parliament and of the Council on the European Fund for Sustainable Development (EFSD) and establishing the EFSD Guarantee and the EFSD Guarantee Fund, COM(2016)586 final, 14 September 2016, Brussels.

European Commission (2016d), Science, Research and Innovation performance of the EU, Brussels: European Commission.

European Commission (2017a), White Paper on the Future of Europe. Reflections and scenarios for the EU27 by 2025, COM(2017)2025 final, 1 March 2017, Brussels.

European Commission (2017b), Spring Economic Forecast, Statistical Annex European Economic Forecast – Spring 2017, Brussels: European Commission.

European Commission (2017c), Research and Innovation analysis in the European Semester Country Reports 2017, Directorate-General for Research and Innovation, Brussels: European Commission.

European Commission (2017d), Commission Staff Working Document, Interim Evaluation of Horizon 2020, SWD(2017)221, 29 May 2017, Brussels.

European Commission (2017e), Reflection Paper on the Deepening of the Economic and Monetary Union, COM(2017)291 final, 31 May 2017, Brussels.

European Commission (2017f), Launching the European Defence Fund, COM(2017)295 final, 7 June 2017, Brussels.

European Commission (2017g), European Economic Forecast, Spring 2017, Institutional Papers 053, May 2017.

European Commission (2017h), Reflection Paper on the Future of EU Finances, COM(2017)358 final, 28 June 2017, Brussels.
European Commission (2017i), FAB – LAB – APP: Investing in the Future we want, Report of the independent High Level Group on maximising the impact of EU Research & Innovation Programmes, Brussels.
European Council (2016), The Bratislava Declaration, Bratislava, 16 September 2016.
European Council (2017), The Rome Declaration. Declaration of the leaders of the 27 member states, the European Parliament and the European Commission, Rome, 25 March 2017.
European Parliament (2011), Resolution of 8 June 2011 on Investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe (2010/2211(INI)).
European Parliament (2016a), European Parliament resolution of 6 July 2016 on the preparation of the post-electoral revision of the MFF 2014-2020: Parliament's input ahead of the Commission's proposal, (2015/2353(INI)), Brussels.
European Parliament (2016b), European Parliament resolution of 26 October 2016 on the mid-term revision of the MFF 2014-2020, (2016/2931(RSP)), Brussels.
European Parliament/Council of the EU (2013), "Regulation (EU) No 1291/2013 of the European Parliament and of the Council of 11 December 2013 establishing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) and repealing Decision No 1982/2006/EC," Official Journal of the European Union L 347, 20 December, 104-173.
Freeman, Chris/Soete, Luc (1997), The Economics of Industrial Innovation, Cambridge: MIT Press.
Gros, Daniel (2008), How to Achieve a Better Budget for the European Union?, CEPS Working Document No. 289/April 2008, Brussels.
Heinemann, Friedrich/Mohl, Philipp/Osterloh, Steffen (2008), Reform Options for the EU Own Resources System, Research Project 8/06, commissioned by the German Federal Ministry of Finance, Mannheim, Zentrum für Europäische Wirtschaftsforschung.
High Level Group on Own Resources [HLGOR] (2016), Future Financing of the EU - Final report and recommendations of the High Level Group on Own Resources, December 2016, Brussels.
Haas, Jörg/Rubio, Eulalia (2017a), The Future of the European Budget: What does the Commission's White Paper mean for EU Finances?, Policy Paper, No. 199, Jacques Delors Institute, Berlin, 27 June 2017.
Haas, Jörg/Rubio, Eulalia (2017b), Brexit and the EU budget: Threat or Opportunity, Policy Paper, No. 183, Jacques Delors Institute, Berlin, 16 January 2017.
Kaiser, Robert/Prange, Heiko (2005), "Missing the Lisbon Target? Multi-Level Innovation and EU Policy Coordination", Journal of Public Policy 25(2), 241-263.

Kaiser, Robert/Prange-Gstöhl, Heiko (2010), "A paradigm shift in European R&D policy? The EU budget review and the economic crisis", Science and Public Policy, 37(4), 253-265.

Kaiser, Robert/Prange-Gstöhl, Heiko (2012), "European growth policies in times of change: budget reform, economic crisis and policy entrepreneurship", in: Benedetto, Giacomo/Milio, Simona (eds), European Union Budget Reform: Institutions, Policy and Economic Crisis, Basingstoke: Palgrave/ Macmillan, pp. 59-78.

Kehagia, Adamadia (2013), The Impact of the EU's Structural and Cohesion Funds – A Literature Review, The Jean Monnet Papers on Political Economy, 6/2013, The University of the Peloponnese.

Kingdon, John W. (1984), Agendas, alternatives and public policies, Boston: Little, Brown & Co.

Kok-Report (2004), Facing the Challenge – The Lisbon Strategy for Growth and Employment, Brussels: Report from the High Level Group.

Laffan, Brigid (2000), "The big budgetary bargains: from negotiation to authority", Journal of European Public Policies, 7(5), 725-743.

Núñez Ferrer, Jorge/Le Cacheux, Jacques/Benedetto, Giacomo/Saunier, Mathieu (2016), Study on the Potential and Limitations of Reforming the Financing of the EU Budget, Expertise commissioned by the European Commission on behalf of the High Level Group on Own Resources, June 2016, Brussels.

Rinaldi, David/Núñez Ferrer, Jorge (2017), The European Fund for Strategic Investments as a New Type of Budgetary Instrument, CEPS Research Report, No 2017/07, April 2017, Brussels.

Roeger, Werner/in 't Veld, Jan (2010), Fiscal stimulus and exit strategies in the EU: a model-based analysis, European Economy Economic Papers 426, September 2010. Brussels: European Commission.

Rubio, Eulalia (2008), EU Budget Review: Addressing the Thorny Issues, Policy Paper 32, Notre Europe.

Sapir, André (2014), "Still the Right Agenda for Europe? The Sapir Report Ten Years On", Journal of Common Market Studies, 52(Supplement S1), 57-73.

Schild, Joachim (2008), "How to shift the EU's spending priorities? The multi-annual financial framework 2007-13 in perspective", Journal of European Public Policy, 15(4), 531-549.

Stenbaeck, Jorgen/Jensen, Mads D. (2016), "Evading the joint decision trap: the multiannual financial framework 2014-20", European Political Science Review, 8(4), 615-635.

Thillaye, Renaud (2016), Can the EU Spent Better? An EU Budget for Crisis and Sustainability, London/New York: Rowman & Littlefield.

Tilford, Simon/Whyte, Philip (2010), The Lisbon Scorecard X: The road to 2020, London: Centre for European Reform.

Tobin, James (1964), "Economic Growth as an Objective of Government Policy", The American Economic Review, 54(3), 1-20.

Svensk sammanfattning

På senare tid har det växt fram en samstämmighet mellan EU:s ledare och institutioner om att Europeiska unionen är i behov av mer grundläggande reformer. I nyckeldokument som Romdeklarationen och Europeiska kommissionens ”Vitbok om EU:s framtid och vägen dit” argumenterar man för att det är dags att öppna ett nytt kapitel i historien om den europeiska integrationen. Från politiska ledares sida har man även åtagit sig att göra unionen ”starkare och mer motståndskraftig genom ännu större enighet och solidaritet mellan oss och respekt för gemensamma regler”. Det är mot den bakgrunden rimligt att anta att nästa fleråriga budgetram – det fleråriga ramverket för budgetens utformning efter år 2020 – blir ett viktigt verktyg för finansiella åtaganden som möjliggör att målen uppfylls. Faktorer som det brittiska utträdet ur EU, det betydande stödet till antieuropeiska populistpartier, oenigheten mellan medlemsstaterna i frågor som flyktinghanteringen och den isolationistiska amerikanska utrikespolitik kan innebära att det finns en öppning för väsentliga reformer i EU.

Erfarenheterna från tidigare budgetöversyner väcker emellertid vissa tvivel om huruvida nästa flerårsbudget verkligen kan tjäna som ett verkningsfullt instrument i den reformprocessen. Flerårsbudgeten kännetecknas av ett kraftigt stigberoende, från vilket det är svårt att bryta sig loss så länge den institutionella strukturen är stabil och utgifterna tillfredsställer nyckelaktörers intressen och preferenser. Förhandlingarna inför den senaste fleråriga budgetramen 2014–2020 är ett bra exempel på vilka faktorer som kan stödja respektive förhindra mer grundläggande reformer. I och med den omfattande budgetöversynen 2008/9 startade en debatt om behovet av väsentliga förändringar. På grund av på spänningarna mellan reformansatser på den europeiska nivån och krispolitiken på den nationella nivån ledde den dock inte till några mer genomgripande förändringar. I den situationen hade medlemsländerna dessutom redan försökt bemästra effekterna av finanskrisen.

I den här rapporten analyserar vi den senaste händelseutvecklingen inför förhandlingarna om flerårsbudgeten efter 2020. Det kan ge indikationer om möjliga scenarier i god tid innan själva förhandlingarna startar sommaren 2018. Vi behandlar fem variabler som vi menar är relevanta för att kunna bedöma det tänkbara utfallet av förhandlingarna:

1. Stabiliteten i den väletablerade budgetförhandlingslogiken;
2. Preferenserna hos, och interagerandet mellan, EU:s institutioner;
3. Kapaciteten hos enskilda medlemsstater att agera som ”policy-entreprenörer”;
4. De roller som intressenter och påtryckargrupper kommer att spela;
5. De ekonomiska och sociala villkor under vilka förhandlingarna kommer att föras.

Vi menar att såväl gradvisa förändringar – enligt en stigberoende logik – som mer genomgripande reformer fortfarande är möjliga utfall. Det är emellertid mer sannolikt att de omedelbara följderna av brexit och andra utmaningar för det europeiska samarbetet kan hanteras inom ramen för den redan etablerade strukturen för flerårsbudgeten.

Förhandlingsprocessen

Vi förutspår i vår analys att den traditionella logiken"nettobetalare mot nettomottagare" kommer att bestå även i förhandlingarna om nästa fleråriga budgetram. Här finns dock en skillnad i förhållande till tidigare förhandlingar. Vi kan till att börja med förvänta oss att de nettobetalare som har haft budgetrabatter kommer att utgöra en stabil koalition som ser till att nettobidragen inte ökar till följd av brexit. På nettomottagarsidan kan vi möjligen förvänta oss en minskad grad av sammanhållning i ljuset av den starka och exklusiva koalition som har etablerats av de s.k. Visegradländerna, vilka framför allt vill försäkra sig om ett stabilt flöde pengar till sammanhållningspolitiken. Den huvudsakliga förändringen i förhandlingslogiken handlar om det ökande antal medlemsstater som inte direkt kan placeras i vare sig nettobetalar- eller nettomottagarlägret. De länderna hamnar mellan de två lägren på grund av den egna ekonomiska utvecklingen och kan därför komma att fokusera mer på enskilda program än på budgeten i dess helhet.

När det gäller preferenser och interagerande mellan EU:s institutioner finner vi få tecken på till och med begränsade reformambitioner. Kommissionen genomförde sin halvtidsöversyn av innevarande långtidsbudget på ett ganska försiktigt sätt. De föreslagna omfördelningarna i riktning mot nya prioriteringar var egentligen inte nya och frågan om en reformering av egna medel diskuterades inte ens. De förslag som presenterades av Högnivågruppen för egna medel fick ett svalt mottagande i många huvudstäder, vilket antyder att viljan att under de stundande förhandlingarna ta itu med frågan om EU:s egna medel är mycket begränsad.

Mot bakgrund av medlemsstaternas kapacitet att agera som "policyentreprenörer", bedömer vi ett fransk-tyskt initiativ som det mest gynnsamma alternativet för att förändring ska kunna komma till stånd. Den fransk-tyska axeln har ofta spelat en avgörande roll när det gäller att formulera kompromisser som samtliga medlemsstater till slut kan enas kring. Så var fallet inte minst i förhandlingarna om långtidsbudgeten 2007-2013, när ett agerande baserat på tjänster och gentjänster mellan de tyska och franska regeringarna banade väg för en uppgörelse. I ljuset av det starka mandat som den franske presidenten Emmanuel Macron och hans pro-europeiska agenda har fått, kan vi därför se en möjlig öppning efter de tyska valen i september 2017. Det är således sannolikt att åtminstone delar av Macrons EU-agenda – som en investeringsbudget för eurozonen eller etablerandet av en europeisk försvarsfond – kommer att diskuteras.

De olika intressenterna och påtryckargrupperna har uppenbarligen haft endast begränsat inflytande på förhandlingarna om budgeten i dess helhet, men de kan påverka policymålen och den andel finansiella resurser som tilldelas de viktigaste utgiftsprogrammen. Kommissionen har redan från början varit angelägen om att kyla ner debatten om offentliga investeringar. Halvtidsöversynerna och de offentliga samråden om framtiden för jordbrukspolitiken, sammanhållningspolitiken och forsknings- och utvecklingspolitiken berörde inte finansieringen av respektive områden. Såväl offentliga som privata intressenter och påtryckargrupper påbörjar dock tidigt sitt påverkansarbete på både den nationella och den europeiska nivån. De stora europeiska universitets- och industriforskningsföreningarna har exempelvis redan formulerat sina positioner inför nästa ramprogram för forskning och teknisk utveckling. När det gäller sammanhållningspolitiken finns ett politiskt tryck främst från den nationella nivån. I exempelvis det tyska förbundsrådet (Bundesrat), som representerar de tyska delstaterna, kom man så tidigt som i december 2016 överens om en gemensam resolution, där länderna tydligt markerade att de förväntar sig fortsatt finansiering av program i de tyska regionerna efter 2020.

Vi kan med utgångspunkt i de ekonomiska prognoserna anta att förhandlingarna om nästa långtidsbudget kommer att äga rum i en kontext där den ekonomiska tillväxten är blygsam men positiv och där även sysselsättning, privat konsumtion, offentliga investeringar och löner ökar. Den ekonomiska utvecklingen i EU:s medlemsstater kommer dock inte att vara enhetlig – oavsett om det handlar om euroländer eller icke-euroländer – och det finns därför få argument för varför finansieringen av sammanhållningspolitiken skulle behöva skäras ned. Däremot finns det goda skäl för att omformulera den, så att mer vikt läggs vid att stärka samstämmigheten när det gäller medlemsstaternas strukturreformer.

Scenarier för den framtida budgeten

Vi förväntar oss ingen betydande förändring i budgetens struktur efter 2020, utan vi antar att länken mellan de huvudsakliga utgiftsområdena – jordbruk, sammanhållning och forskning och innovation – består. Strukturen är en källa till trygghet för såväl medlemsstaterna som för EU:s institutioner och kommer därför sannolikt att vara förhållandevis oförändrad. Därtill ska läggas att vi sannolikt får se en starkare betoning på nya politikområden som migration, försvar och säkerhet. Den nuvarande budgetstrukturen tillåter redan att nya prioriteringar finansieras via nationella bidrag vid sidan om budgetramverket. Att strukturen behålls innebär dock inte att politikområden och/eller budgetrubriker är på förhand bestämda. Det har tidigare varit möjligt att genomföra grundläggande reformer av olika utgiftsområden utan att finansieringsstrukturen har förändrats, vilket exempelvis var fallet när jordbrukspolitiken ”förgrönades” eller när finansiella instrument infördes för grundforskning inom ramen för Europeiska forskningsrådet.

Budgetramverket efter 2020 kommer sannolikt att minska i termer av tillgängliga resurser. Vi förväntar oss heller inte att medlemsstaterna kommer att öka sina bidrag till budgeten för att kompensera för brexit, som i sig innebär att en stor nettobetalare försvinner. För att hålla nuvarande utgiftsnivå skulle bidragen behöva öka från såväl nettobetalare som nettomottagare. Det är heller inte särskilt sannolikt att den övergripande budgeten bara kapas med det brittiska bidraget, eftersomdet finns ett starkt tryck för att man ska tillhandahålla medel för att möta nya utmaningar. I ljuset av nuvarande sektorinvesteringar förväntar vi oss ytterligare neddragningar när det gäller medel till stöd för jordbrukspolitiken, samtidigt som möjligheterna till omfördelning mellan sammanhållningspolitiken och forskningspolitiken är begränsade. Vi betraktar det heller inte som sannolikt att större förändringar är att vänta på EU-budgetens intäktssida. Rapporten från Högnivågruppen för egna medel visade tydligt att alla tillgängliga alternativ genererar högre politiska transaktionskostnader jämfört med det befintliga systemet. I en situation där det råder osäkerhet om de finansiella konsekvenserna av brexit, lär medlemsstaterna knappast vara ivriga att experimentera med EU:s egna medel.

Vissa förändringar är dock möjliga avseende finansieringsreglerna, i synnerhet när det gäller sammanhållningspolitikens stöd för generell ekonomisk utveckling och där insatserna inte har varit framgångsrika. Problemet kan hanteras genom att man introducerar nya åtaganden för medlemsstaterna när det gäller de landspecifika rekommendationer som ges inom ramen för Europeiska planeringsterminen, som villkor för stöd från EU:s budget. Vi antar också att EU kommer att använda fler nya finansieringsinstrument. I tider när budgetbalanserna förbättras i åtminstone några av medlemsstaterna kan europeiska investeringar omvandlas till lånebaserade stöd, medan regelrätta stöd begränsas till områden där lån inte är möjliga – exempelvis när det gäller forskningsstöd.

EU:s fleråriga budgetram efter 2020: stegvisa reformer i en tid av dynamisk utveckling?

Sammantaget antar vi att den nuvarande budgetstrukturen erbjuder tillräcklig flexibilitet för att hantera Europas nuvarande utmaningar. Det saknas också starka skäl för banbrytande förändringar, och om en möjlighet till verkliga förändringar dyker upp, kommer det bara att vara under en begränsad tid. . Vi antar att väsentliga reformer endast kan föreslås mellan oktober 2017 (efter valen i Tyskland) och våren 2018, när kommissionen presenterar sitt förslag till nästa långtidsbudget. Det finns emellertid vissa aspekter som kan påverka den "normala" processen i budgetförhandlingarna: som att brexitförhandlingarna strandar; att eurokrisen blommar upp på nytt; eller en oväntad politisk utveckling på medlemsstatsnivå (exempelvis i samband med valen i Italien våren 2018). Sådana händelser kan absolut innebära betydande svårigheter för budgetförhandlingarna.

Sieps publications in English

2017

2017:6
The Future of the EU Budget Perspectives for the Funding and Growth-Oriented Policies post-2010
Authors: Robert Kaiser and Heiko Prange-Gstöhl

2017:5
Greening Farm Payments under the 2013 CAP Reforms: A Major Stride towards "Sustainable Agriculture"
Authors: Michael Cardwell and Alicia Epstein

2017:4
The obsolescence of the European Neighbourhood Policy
Author: Steven Blockmans

2017:3
The European Union´s Common Foreign and Security Policy after the Treaty of Lisbon
Author: Panos Koutrakos

2017:2
A Quiet Revolution: The Common Commercial Policy Six Years after the Treaty of Lisbon
Author: Marise Cremona

2017:6epa
Spain after the June 2016 elections: What implications for the EU?
Authors: Santiago Pérez-Nievas and Irene Martín

2017:5epa
Brexit and the European Commission
Author: Michael Leigh

2017:4epa
How is Juncker's 'last-chance Commission' faring at mid-term?
Author: Sophia Russack

2017:3epa
The European Commission: Less a Leader and More a Manager?
Authors: Neill Nugent and Mark Rhinard

2017:2epa
The European Commission: Less a Leader and More a Manager?
Authors: Neill Nugent och Mark Rhinard

2016

2016:13
Secrecy Inside and Outside: EU External Relations in Focus
Authors: Deirdre Curtin and Christina Eckes

2016:11
Linked National Public Authorities – a Study on IMI
Author: Gustaf Wall

2016:10
Success Factors in EU Agricultural Negotiations
Authors: Ole Elgström and Malena Rosén Sundström

2016:8
Turnout in the EP Elections 2014: A Comparative Study of the EU Member States
Authors: Hermann Schmitt and Sebastian Adrian Popa

2016:7
Efficient Solidarity Mechanisms in Asylum Policy
Authors: Jesús Fernández-Huertas Moraga and Hillel Rapoport

2016:6
SME Financing in a Capital Markets Union
Authors: Morgane Fouché, Katja Neugebauer and Andreas Uthemann

2016:5
See you in Luxembourg? EU Governments´ Observations under the Preliminary Reference Procedure
Authors: Per Cramér, Olof Larsson, Andreas Moberg and Daniel Naurin

2016:4
The EU and US criminal law as two-tier models: A comparison of their central axes with a view to addressing challenges for EU criminal law and for the protection of fundamental rights
Author: Maria Kaiafa-Gbandi

2016:3
Humanitarian aid policy in the EU´s external relations: The post-Lisbon framework
Authors: Peter van Elsuwege, Jan Orbie and Fabienne Bossuyt

2016:1
Is there flexibility in the European Semester process? Exploring interactions between the EU and member states within post-crisis socio-economic governance
Author: Sonja Bekker

2016:15epa
Sweden and the Euro: The Neglected Role of EU Membership
Authors: Nauro F. Campos, Fabrizio Coricelli and Luigi Moretti

2016:14epa
The law and practice of solidarity in the Common European Asylum System: Article 80 TFEU and its added value
Author: Eleni Karageorgiou

2016:13epa
The EU and Belarus: seizing the opportunity?
Author: Elena A. Korosteleva

2016:12epa
Regional Productivity Convergence in Advanced and Emerging European Economies
Authors: Kadri Männasoo, Heili Hein and Raul Ruubel

2016:11epa
The Eurasian Economic Union and the European Union: Geopolitics, Geo-Economics and Opportunities for Europe
Author: Sijbren de Jong

2016:10epa
Responses to the "refugee crisis": What is the role of self-image among EU countries?
Author: Rebecca Thorbrurn Stern

2016:8epa
Leaving the European Union, the Union way: A legal analysis of Article 50 TEU
Author: Christophe Hillion

2016:7epa
A brief on the politics and economics of the Transatlantic Trade and Investment Partnership
Author: Håkan Nordström

2016:5epa
The EU and Russia: managing the new security environment in the wider Europe
Author: Derek Averre

2016:4epa
The infringement proceedings over intra-EU investment treaties – an analysis of the case against Sweden
Authors: Joel Dahlquist, Hannes Lenk and Love Rönnelid

2016:3epa
A Critical Insight into Europe´s Criminalisation of Human Smuggling
Author: Ilse van Liempt

2016:2epa
Irregular Immigration in the European Union
Authors: Pia M. Orrenius and Madeline Zavodny

2016:1epa
Overseeing the rule of law in the European Union: Legal mandate and means
Author: Christophe Hillion

"It seems thus obvious that the EU member states still lack coherence in their economic development. Given that circumstance, there will be few convincing arguments for a decrease of funds in regional and cohesion policy, but maybe very plausible ones in favour of new instruments that could support more coherence."

Robert Kaiser and Heiko Prange-Gstöhl

SIEPS carries out multidisciplinary research in current European affairs. As an independent governmental agency, we connect academic analysis and policy-making at Swedish and European levels.

www.sieps.se • info@sieps.se • +46-8-586 447 00