Position
Brussels, February 2012

EUROCHAMBRES POSITION PAPER ON THE MULTIANNUAL FINANCIAL FRAMEWORK 2014-20

EUROCHAMBRES believes that growth and competitiveness objectives should be at the core of the MFF2014-20, particularly in times of financial and economic distress. EU funds should be instrumental to achieving the Europe2020 objectives and to support economic and structural reforms in Member States.

Chambers broadly welcome the Commission proposal for the MFF2014-20. It represents an evolution compared to previous financial frameworks, rather than the revolution anticipated as a result of the EU Budget review and Chambers **argue that its structure can be improved and further resources should be allocated to growth-enhancing and SME-related policy objectives**. As it stands, the proposal can be considered as a starting point to develop a budgetary framework which better reflects the EU's economic priorities and the Europe2020 objectives.

Governance of the Multiannual Financial Framework

- **Chambers argue that rules and procedures related to the EU budget funds should be greatly simplified in the forthcoming accompanying and technical legislation** to allow more potential recipients, particularly SMEs, to be able to access EU funds, particularly in relation to COSME and Horizon2020. Moreover, efforts should be stepped up substantially as regards ensuring that EU resources are properly spent and relevant targets met. In this framework, overall spending efficiency should be greatly enhanced.

Structure of the proposed MFF 2014-20

- Chambers believe that while the **overall budget allocation** is relatively positive, the proposed MFF structure is very conservative and similar to previous financial frameworks, thus not fully in line with the EU Budget Review recommendations. Chambers would have liked to see **a clearer alignment of the EU budget headings with the Europe2020 objectives as well as a stronger transversal/horizontal approach vis-á-vis SME policy objectives.**

- While welcoming enforcement measures which can help ensure that the capacity to use EU budget funds is improved, Chambers invite policy-makers to reflect carefully on proposals to link the EU budget, particularly the distribution of structural funds, to **macroeconomic conditionality**: unintended consequences, such as to perversely hit end-recipients of EU budget resources like SMEs, must be avoided.

- Chambers welcome the proposed **7-year budgetary period** as this will allow the budget to match the Europe2020 end date and thus be more properly scrutinized vis-á-vis the strategy's objectives.

Budget allocations

- Chambers are not fully satisfied with the resources allocated to economic, social and territorial cohesion, the new 'Competitiveness and SME Programme' (COSME), the 'Connecting Europe Facility' and Horizon 2020. **The overall shift of EU budget allocation towards growth and competitiveness programmes should have been more radical**. Special attention should be devoted to socio-economic developments and challenges faced by European SMEs in the global market.

- Funds allocated to specific SME platforms and programmes still represent a minuscule share of the overall budget. The COSME Programme, comprising of both equity and loan facilities, represents only the 0.2% (€2.4bn) of the overall financial envelope 2014-20. **Chambers call on decision-makers to increase the share of the budget allocated to specific SME programmes such as the COSME**.

- Chambers welcome the introduction to the EU budget of the 'Connecting Europe Facility and advise negotiators now not to sacrifice resources from this Programme, as its proposed budget represents the minimum investment necessary to ensure the fulfillment of Europe2020 objectives in this specific field.

- Overall, Chambers believe that decision-makers should make efforts to further increase the budget allocations for innovation, R&D, energy efficiency, ICT and transport infrastructure, thus for areas where EU funds can best add value.

Budget financing and own resources

- **Chambers call for a stabilization of the EU budget level at around 1% of Gross National Income (GNI),** while other sources of funding are not settled, which reflects current economic and financial circumstances and the general budgetary tightening at national level. In this context, Chambers caution policy-makers on placing large **items/funds formally outside the EU budget** and stress the need to carefully reflect upon this during budget negotiations.

- While bearing in mind the costs of 'non-Europe', **Chambers stress that the development and dynamics of the EU budget should not be in conflict with those at national level**. National contributions to the EU budget should thus reflect and be proportional to national growth and spending dynamics in GNI terms.

- Chambers stress that **the forthcoming MFF should allow for greater flexibility between budget headings, always with the objective of enhancing competitiveness**.

- The financial framework should first and foremost be financed on the basis of stable and predictable sources of revenue, while contributions should be balanced over time. In this respect, **Chambers are willing to consider a reformed VAT system as an own resource[1].**

- Chambers welcome the introduction of 'performance reserves', as a valuable new mechanism providing a clear link between spending and outcomes, so important in policy areas such as agricultural and cohesion policies.

Correction mechanisms and rebates

- **Chambers are generally against rebates and/or correction mechanisms** of any sort and thus favour their abolishment in the forthcoming MFF2014-20. In this framework, Chambers thus call for the abolition of the 'juste retour' dynamics and are **not convinced about the proposed system of 'lump-sums'[2].**

- **A flexible and fair adjustment system should instead be devised**, on the basis of a member state's contribution to the EU budget in relation to its relative economic weight.

[1] The Spanish Chambers do not share the views expressed in this sentence.
[2] The British Chambers of Commerce (BCC) believes that it is unacceptable that some member states still suffer "budgetary burdens that are excessive in relation to their relative prosperity". Therefore, the BCC considers that the Commission proposal should be revised to avoid significant budgetary imbalances and therefore eliminate the need for corrective mechanisms.

Further information: Mr. Giovanni CAMPI, Senior Advisor, tel. +32 2 282 08 83, campi@eurochambres.eu