



Background Note

The EU Budget under the next MFF 2021-2027: Fit to address the global challenges?

The EU Budget: supporting policies, leveraging influence, underpinning strategic objectives

The EU Budget is known to be primarily a budget for investments which are implemented through spending programmes in support of EU policies. As the EU budget only represents approximately 2 % of overall public spending in the EU, it has to be used in a targeted manner, in line with EU added value considerations, coherent in its architecture and equipped with carefully designed implementing modalities.

In recent years - and beyond its classical functions of financing well-established policies - the European Budget has been called upon to also enable a common European response to a growing array of new challenges, notably those emerging from refugee and migration pressures, the fallouts of the financial crisis and an ever higher frequency of emergencies against the background of environmental degradation and climate change. These problems are typically characterised by their cross-border and transnational nature and can hardly be solved effectively by individual Member States alone.

The [guidelines](#) of the new Commission remind of Europe's "*unique brand of responsible global leadership*" and call for a geopolitically relevant EU which strives to be at the forefront of international efforts to confront these global challenges.

The [European Parliament's interim report](#) on the MFF 2021-2027 concurs and underlines that such ambitions must be backed-up by appropriate resources. It stresses that, "*in light of the global challenges that Member States cannot address alone, it should be possible to acknowledge European common goods*", and that "*the 2021-2027 MFF must guarantee the Union's responsibility for and ability to meet emerging needs, additional challenges and new international commitments, and attain its political priorities and objectives.*"

In a similar vein, the [Programme of the Croatian Presidency](#) makes a plea for a *strong Europe in a world of challenges* and a Multiannual Financial Framework which strikes a "*balance between continuing to finance Treaty-based policies that already provide a clear European added value, such as cohesion and common agricultural policies, and reaching an agreement on financing policies aimed at new challenges.*"

A vast array of challenges... and opportunities

The [Commission Communication on the Multiannual Financial Framework for 2021-2027: a Modern Budget for a Union that Protects, Empowers and Defends](#) enumerates the broad array of challenges that the Union will have to continue to deal with in the coming decades: technological and demographic changes, climate change, biodiversity loss and scarce resources, unemployment, security threats, migratory pressures and geopolitical instability will test the very foundations of the Union. However, the communication also emphasises that tackling these challenges is not only a matter of costly damage control but should also present opportunities for sustainable growth and the creation of high quality employment.

In [a document summarising the proposals for the next MFF](#), several instruments are highlighted as particularly helpful in addressing urgent challenges and at the same time in creating opportunities:

- Investing in innovation and the digital economy: Horizon Europe, including the European Innovation Council, will allow Europe to be at the forefront of global research and innovation.
- The new Digital Europe Programme will support the digital transformation of our society and economy.
- Creating training and employment opportunities for young people, through a strengthened Erasmus+ programme.
- Continuing our work on a comprehensive approach to migration and border management.
- Building up the Union's capacity in security and defence to protect EU citizens from security threats such as terrorist attacks, new types of organised crime and cybercrime.
- A significantly enhanced European Defence Fund aims to foster the competitiveness and innovative capacity of the Union's defence industry.
- Strengthening the EU's external action: the broad Neighbourhood, Development and International Cooperation Instrument will provide more coherence in tackling the challenges of the EU's external action.
- Investing in climate action and environment protection, through a more ambitious goal for climate mainstreaming across all EU programmes, with a target of 25 % of EU expenditure contributing to climate objectives.

On the other hand, it has been criticised (see for example the EP's interim report) that the MFF does not fully reflect the consensus on the major political priorities and that the proposed budgetary resources for the main programmes are insufficient to achieve the proclaimed results. The report reconfirms Parliament's formal position that the level of the 2021-2027 MFF should be set at EUR 1 324.1 billion in 2018 prices, representing 1,3 % of the EU-27 GNI. It also comprises a breakdown by Heading and programme.

In the meantime, the negotiations are in full swing. Because the financial stakes and the procedural hurdles (unanimity in Council after consent of the Parliament) are very high, it has proven to be very difficult to change the structure and size of the MFF in more than an incremental way. The MFF's 'path dependency' and the low level of available margins and flexibility mechanisms also prevent the EU budget from reacting quickly and decisively in the face of emergencies or unforeseen developments within the EU or on the World Stage. Ensuring a proper degree of responsiveness is therefore yet another issue in making the EU budget fit to address the ever moving targets of global challenges.

The EU Budget as an instrument supporting strategic frameworks?

The MFF is meant to translate strategic guidelines and political priorities into budgetary figures by setting the ceilings for broad categories of expenditure for the duration of a full programming period. The current negotiations on the MFF 2021-2027 coincide with a new institutional cycle and the presentation of [the European Green Deal](#), a far-reaching strategic framework of the newly installed Commission. In principle, this timing should be opportune to agree on a consistent approach synchronising political aspirations with policy reforms and the commensurate modernisation of the budget structure.

The [European Parliament resolution on the European Green Deal](#) states that the Multiannual Financial Framework 2021-2027 will have to play an instrumental role in delivering the European Green Deal. The Resolution calls for another quantum leap in the political and financial efforts to achieve these objectives.

Beyond the European Green Deal, there are several other and overarching European and international policy strategies endorsed by the EU institutions, amongst which¹:

- The EU Global Strategy for the foreign and security policy of the European Union
- The UN 2030 Agenda for Sustainable Development and the Sustainable Development Goals
- The Paris Agreement (UNFCCC) and the UN Convention on Biological Diversity
- The European Pillar of Social Rights

All of them require a certain level of budgetary underpinning to empower effective, credible and legitimate follow-up and implementation.

Some framing questions for the debate

Are the EU's political priorities aligned coherently with the proposed new architecture and expenditure ceilings for the MFF 2021-2027 to address the major global challenges?

Which level of financial resources for the MFF 2021-2027 would be considered adequate to match political ambitions, including, in particular, the financial needs of the European Green Deal Investment Plan?

How can the EU budget, Member States' national budgets and other financial sources be combined and used in conjunction most effectively to result in synergies in view of addressing the most urgent needs? Are there examples of good practice?

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¹ The recitals of the [European Parliament resolution on the European Green Deal](#) list the relevant European and international policy initiatives, framework agreements and related reference documents.