Member States’ positions on the proposed 2014-2020 EU Budget

An analysis of the statements made at the 26th of March General Affairs Council meeting with particular reference to External Action and the EDF

Ulrika Kilnes with Andrew Sherriff

Introduction

The EU institutions and EU Member States are currently negotiating the EU’s budget for the period 2014-2020. The outcome of the negotiations will have important implications for developing countries and EU external relations more generally. Of keen interest is the position of EU Member States in relation to the European Commission’s current budget proposals. The purpose of this Briefing Note is to report back on, as well as analyse, statements from a recent Council meeting where each EU Member State was given an opportunity to publicly state its position. The note is meant to inform stakeholders from both developing and EU countries, particularly on positions relating to budgetary funding for EU external action and the European Development Fund (EDF).

On 26 March 2012, the Council of the European Union convened in Brussels for the 3158th Council meeting on General Affairs (GAC), chaired by Mr Nicolai Wammen, Minister for European Affairs of Denmark. During the meeting, the Council focused on the multiannual financial framework (MFF – the EU budget) for the 2014-2020 period, discussing the so-called negotiating box. The negotiating box outlines the most central issues and options for certain parts of the MFF.

1 The authors are grateful for comments and feedback from ECDPM colleagues Niels Keijzer, Anna Knoll, Geert Laporte, and Jeske van Seters.
2 For current proposals from the Commission, see COM(2011) 500 final.
4 Governments were represented by their Permanent Representatives, Ministers for EU Affairs, Secretaries of States, or Foreign Ministers.
During the 26th of March meeting, which was the first time that the proposed budget was discussed at the level of the General Affairs Council, the discussion covered budget Heading 1 (smart and inclusive growth - with the exception of cohesion policy and the Connecting Europe facility), Heading 3 (security and citizenship), Heading 4 (global Europe) and Heading 5 (administration), as well as some horizontal issues. The purpose of the discussion was to establish the basis for the upcoming European Council discussion in June to enable the MFF to be adopted by the end of 2012. Member States were each given a very short three minute opportunity to convey their priorities. This left of course little room for details in general, let alone more specifically, on the implications for future EU external action and development cooperation. Also important to note is that Member States may have positions on a number of these and other issues that they did not raise in this particular meeting. These positions might have been stated in other fora or are in the public domain. Positions not explicitly stated in the 26th of March GAC meeting will, however, not be analysed or reported on in this Briefing Note.

In the following sections, the individual Member States’ positions as stated at this meeting are noted on a number of questions relating to:

- Member States’ positions on cross-cutting issues
- Statements related to Heading 4 (Global Europe)
- Statement related to the EDF
- MFF – Relevant items under other headings with an external impact

In addition, some brief complementary analysis of the statements is provided.

### Member States’ positions on cross-cutting issues

#### The total amount for the MFF 2014-2020 (EU budget)

On 29 June 2011, the European Commission (EC) presented the Communication ‘A budget for Europe 2020’ (EC 2011) to the European Parliament (EP), the Council, the European Economic and Social Committee and the Committee of the Regions. In tough economic times, seven Member States have recently taken the position that the EC’s proposed overall amount for the EU budget should be reduced by €100 billion, or in the case of Sweden, by more than €100 billion. The countries arguing for a decrease in the proposed EU budget are presented in the left column of the table. The Member States who support the EC’s proposal for the overall amount for the MFF 2014-2020 are presented in the right column. The Member States that are not listed in any of the two columns did not publicly state their position during the 26th of March meeting.

<table>
<thead>
<tr>
<th>In favour of a decrease in the proposed overall amount for the EU budget</th>
<th>Support the EC’s proposed overall amount for the EU budget</th>
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</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Belgium</td>
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<tr>
<td>Czech Republic</td>
<td>Bulgaria</td>
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<tr>
<td>Finland</td>
<td>Croatia</td>
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<td>Germany</td>
<td>Cyprus</td>
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<td>Romania</td>
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<td>Slovakia</td>
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It is perhaps unsurprising that the majority of those arguing for a reduction have been net contributors of the EU budget while the majority of those arguing for the proposals have been net recipients. Most of the countries noted in the left column have made their positions public prior to the 26th of March GAC meeting.

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5 For an analysis of what this could mean for EU development spending, see Kilnes, U. 2012. Billions less for development? Analysing drivers and possible consequences of possible ‘zero growth’ scenarios for the European Development Fund. ECDPM Briefing Note 35. Maastricht: ECDPM
**Heading 5 - Administration**

Heading 5 of the MFF is the heading for administration, which finances all of the EU’s institutions – the European Parliament (20%), the European Council and the Council (7%), the Commission (40%) and the smaller institutions and bodies (15%) (EC 2011). Heading 5 represents about 6% of the total budget. With the Member States’ budget pressures and cutbacks in national administrative expenditure in mind, the Commission proposed in the Communication ‘A budget for Europe 2020’, a 5% cut in European staff over the next seven years, and a freeze of administrative expenditure. The European Commission has also proposed a number of changes to EU institutions’ staff regulations to further increase administrative savings.

In the left column of the table below, those Member States who argue for cuts – in addition to those already mentioned in ‘A budget for Europe 2020’ – under budget Heading 5, are presented. In the right column, the countries are listed that support the Commission’s proposed amount for Heading 5. It is perhaps surprising that not more Member States argued for additional cuts given that spending on ‘Administration’ is an easy media- and voter-sensitive issue. There could be multiple reasons for this, such as a recognition that the Commission has already made good progress, that as Heading 5 represents a relatively small amount of the budget limited gains can be made, or a deference to the fact that national authorities do not want a too strong of a focus on their own percentage of administrative expenditures.

<table>
<thead>
<tr>
<th>Additional cuts in Heading 5</th>
<th>No additional cuts in Heading 5</th>
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</thead>
<tbody>
<tr>
<td>Austria (wants nominal freeze of 2010-2013 average)</td>
<td>Belgium</td>
</tr>
<tr>
<td>Croatia</td>
<td>Italy</td>
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<tr>
<td>Czech Republic</td>
<td>Luxembourg</td>
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<td>Finland</td>
<td>Poland</td>
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<td>Ireland</td>
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<td>Netherlands</td>
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<td>Spain</td>
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<td>Sweden</td>
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The Member States that are not listed in any of the two columns did not state a strong opinion in favour of, or against, additional cuts in Heading 5 in the 26th March General Affairs Council meeting.

**Statements related to Heading 4 (Global Europe)**

Heading 4 covers the EU financial instruments for external action and represents roughly 7% of the total EU budget.

In this section, the different priorities stated by individual Member States in relation to Heading 4 are listed. Member States in support of the increased focus on either the Neighbourhood, Pre-Accession or Enlargement policies are, almost without exceptions, Member States that share borders with the target countries of these respective policies.

**Neighbourhood policy**

The European Neighbourhood Policy (ENP) was adopted in 2004, with the objective of avoiding the emergence of new dividing lines between the enlarged EU and its neighbours and instead strengthening the prosperity, stability and security of all. The ENP framework covers 16 of the EU’s closest neighbours – Algeria, Armenia, Azerbaijan, Belarus, Egypt, Georgia, Israel, Jordan, Lebanon, Libya, Moldova, Morocco, Occupied Palestinian Territory, Syria, Tunisia and Ukraine (EC 2010).

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6 The rest of Heading 5 is made up of “Pension expenditures and European Schools” and “Margin”.
7 A few examples of these changes in staff regulations are: a new method for calculating the adaptation of salaries, an increase in working hours (from 37.5 to 40 hours a week) without compensatory wage adjustments, and an increase of the pension age.
8 The instruments financed under this Heading are: the Instrument for Pre-Accession, the European Neighbourhood Instrument, the European Instrument for Democracy and Human Rights, the Instrument for Stability, the Common Foreign and Security Policy, the Partnership Instrument, Development Cooperation Instrument, Humanitarian aid, Civil Protection Financial Instrument + the Emergency Response Centre, the European Voluntary Humanitarian Aid Corps, Instrument for Nuclear Safety Cooperation, Macro-financial assistance and the Guarantee fund for External (EC 2011).
The following countries stated Neighbourhood Policy as one of their priorities for Heading 4 expenditure:
• Bulgaria
• Cyprus
• Czech Republic
• Hungary
• Netherlands
• Portugal
• Romania
• Slovakia

Pre-accession
The EU provides financial aid for acceding countries, candidate countries, and potential candidate countries to support their efforts in enhancing political, economic and institutional reforms needed for them to become a member of the European Union. One of the instruments that offers assistance to countries engaged in the accession process is the Instrument for Pre-Accession, which supports the stabilisation and association process of candidate countries and potential candidate countries. The new IPA post-2013 proposed by the Commission, consists of five different components (EC 2012b): Assistance for transition and institution building; Cross-border cooperation (with EU Member States and other countries eligible for IPA); Regional development (transport, environment, regional and economic development); Human resources (strengthening human capital and combating exclusion); and Rural development. Current candidate countries include Iceland, Macedonia, Montenegro, Serbia, and Turkey. It is possible to speculate that some of these countries will become acceding countries in the period 2014-2020.

The following countries stated Pre-accession Assistance as one of their priorities for Heading 4 expenditure:
• Croatia
• Slovakia

Croatia is currently an acceding country scheduled to join the EU in July 2013 and is therefore invited to attend most of the Council meetings and preparatory gatherings of the Council’s working parties as an observer until its accession. Since Croatia will be a Member of the EU in the period 2014-2020 and once acceded is to contribute to the EU budget, it is a stakeholder in these budget negotiations.

Enlargement
A growing membership of the European Union has been part of the development of European integration right from the start with the goal of promoting a safer, more prosperous, stronger and more influential European Union. EU Member States have agreed to extend the EU perspective to the following countries: Croatia, the former Yugoslav Republic of Macedonia, Albania, Bosnia and Herzegovina, Montenegro, Serbia, Kosovo and Turkey. However, membership of the EU will only be approved after a number of requirements have been met (EC 2012a).

During the GAC meeting, the following countries stated Enlargement as one of their priorities:
• Bulgaria
• Czech Republic
• Estonia
• Hungary

Official Development Assistance (ODA)
In relation to Heading 4 (Global Europe), the following countries argued that at least 90% of Heading 4 expenditure should be ODA (Official Development Assistance):
• Austria
• Finland
• Ireland
• Malta
• Portugal
It is an indication that a number of Member States are concerned about the growth of non-ODA spending in Heading 4.

It should be noted that the target for the EU to collectively provide 0.7% of GNI to ODA has been set for 2015. For Post-2015, the discussions are underway but there is presently no decision on future key development financial targets, a possible post-MDG (Millennium Development Goal) framework, or any related agreement on reporting on Financing for Development (with or without a central role for ODA).

**Other specific comments related to Heading 4**

- **Portugal** stated that their priority is cooperation with the least developed countries (LDCs). Portugal was the only country that specifically referred to aid to Africa as a priority.
- **The Netherlands** wants to prioritize human rights and poor people in poor countries, but said that although Heading 4 should remain ambitious, this does not necessarily mean more funds.
- **Ireland** stated that Heading 4 is of utmost importance to them, and that they welcome a focus on the Millennium Development Goals.
- **Germany** stated that the EU Member States’ goal of spending 0.7% of GNI on ODA should apply to the EU budget as well, i.e. that 0.7% of the EU budget should be spent on ODA.
- **Spain** argued that there should be an increase in funds for Latin America, and expressed concern over the fact that the proposed Development Cooperation Instrument (DCI) would exclude bilateral agreements with 11 countries in Latin America.
- **France** indicated that it supports the Commission’s proposal for the Heading 4 amount entirely.
- **Romania** advocated for a reduction of the proposed Heading 4 amount to current (2007-2013) levels.
- **The United Kingdom** asked why there is no reference to conflict prevention under Heading 4: “We have to have something in the text reflecting the importance of the Instrument for Stability.”

Interesting to note is that only one Member State, Romania, asked for a reduction of the size of Heading 4 specifically.

**Statements related to the EDF**

**EDF budgetisation**

Created in 1957 by the Treaty of Rome, and first launched in 1959, the European Development Fund (EDF) is the main instrument for delivering EU development assistance to the African, Caribbean and Pacific Group of States (ACP) and the Overseas Countries and Territories (OCTs). As the EDF (covering at the time mainly French OCTs) was mainly pushed by France in the negotiations for the Rome treaty, the five other founding members did not agree to follow the normal way of contributing to the budget. It was therefore at its inception decided to place the EDF outside the EU budget. In past negotiations for previous budget periods, the Commission has repeatedly proposed to include the EDF in the EU budget. The main argument put forward was an increase of democratic scrutiny, transparency and effectiveness. In the Communication ‘A budget for Europe 2020’, the European Commission underlined that it was not appropriate at present time to propose the integration of the EDF into the EU budget. However, as listed in the left column of the table, a number of Member States now want the EDF to have something in the text reflecting the importance of the Instrument for Stability.

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5 The DCI is the second largest instrument under Heading 4 and consists of three components: 1) geographic programmes supporting cooperation with 46 developing countries in Latin America, Asia and Central Asia, the Middle East and South Africa, 2) thematic programmes to address global public goods and challenges and support civil society organisations and local authorities in countries, territories and regions eligible for Union funding under geographic programmes, and 3) a Pan-African programme to support the Joint Africa-EU Strategy in the countries, territories and regions covered by that Strategy.


push for the EDF to be integrated into the budget (EDF budgetisation)\textsuperscript{12}. In the right column, the Member States that want to keep the EDF outside the budget are listed.

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<thead>
<tr>
<th>EDF budgetisation by direct statement or implication</th>
<th>EDF outside the budget</th>
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<tbody>
<tr>
<td>Finland</td>
<td>Austria</td>
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<tr>
<td>France</td>
<td>Belgium (budgetisation after 2020)</td>
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<td>Germany</td>
<td>Bulgaria</td>
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<td>Italy</td>
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<td>Greece</td>
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<td>Latvia</td>
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<tr>
<td></td>
<td>Luxembourg (want to keep it outside for now)</td>
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<td></td>
<td>Malta</td>
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<td>Poland</td>
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The United Kingdom, Italy, France and Finland did not mention the EDF by name but rather noted that all programmes currently outside the framework, of which the EDF is a major part, should be financed within the budget. For a more detailed analysis on why individual Member States might argue for or against budgetisation of the EDF from a financial perspective, is presented in ECDPM’s Briefing Note 29, “More or less - A financial analysis of the proposed 11\textsuperscript{th} European Development Fund” (Kilnes et al 2012). It is unclear at this stage what the outcome of the negotiations will be, also given the EDF’s special status as an inter-governmental construction requiring a unanimous decision to integrate it into the budget. Status quo, full budgetisation of all off-budget expenditure, or alternatively budgetisation of some off-budget expenditure but not the EDF are all scenarios that are still possible\textsuperscript{13}. Budgetisation with a zero growth of the EU budget overall would however seem to carry significant risk in terms of there being less resources available for the (budgetised) EDF than the Commission originally proposed there to be\textsuperscript{14}.

**Current EDF contribution keys**

The EDF has to date been funded outside the EU budget by the EU Member States on the basis of financial payments related to specific contribution shares, or “keys”. The EDF is currently the only EU policy instrument that is financed through a specific key that is different from the EU budget key, and which reflects the comparative interests in cooperation with ACP states of individual Member States. In the Communication ‘A budget for Europe 2020’, as well as in COM(2011) 837, the EC proposes to further align Member States’ contribution keys under the EDF to the keys used for the overall EU budget. This would help create a basis for a smooth integration of the EDF into the budget in the future.

During the GAC meeting, the following countries stated their desire to contribute to the 11\textsuperscript{th} EDF (2014-2020) using the same contribution keys as used for the 10\textsuperscript{th} EDF (2008-2013):

- Bulgaria
- Latvia
- Lithuania
- Poland
- Slovenia

\textsuperscript{12} When discussing the 2007-2013 EU budget in 2003, France, Belgium, Luxembourg, the Netherlands, Sweden, Finland, Denmark, Poland and Hungary supported integrating the EDF into the budget, while the United Kingdom, Spain and Ireland were against (Eurostep 2003).

\textsuperscript{13} For further analysis on budgetisation options, see Gavas, M., Koch, S., Bello, O., van Seters, J. and Furness, M. 2011. The EU’s Multi-Annual Financial Framework post-2013: Options for EU development cooperation. London: ODI.

\textsuperscript{14} For analysis on the financial implications of an EDF budgetisation, see Kilnes, U. 2012. Billions less for development? Analysing drivers and possible consequences of possible ‘zero growth’ scenarios for the European Development Fund. ECDPM Briefing Note 35. Maastricht: ECDPM. A more detailed analysis on the implications of budgetisation for the ACP is forthcoming.
These Member States are all EU12 Member States, meaning they joined the EU in or since 2004\textsuperscript{15}. EU12 Member States contributed relatively less to the 10th EDF than they do to the EU budget. In reality, the abovementioned statement means that the listed countries would like to keep contributing relatively less compared to EU15 Member States under the next EDF as well. It should be noted that all of these five Member States also belong to the group of net recipients of the EU budget.

It is not clear whether a specific discussion on EDF contribution keys will gather any momentum, and those Member States questioning the budget keys are actually a small group of states who currently contribute with only a small share of the proposed 11th EDF\textsuperscript{16}.

**MFF – Relevant items under other headings with an external impact**

**Cohesion policy**

As a result of enlargement of the European Union, there has been a substantial widening of regional disparities within the Union. The Cohesion policy therefore focuses on promoting a balanced and sustainable development of the territory of the Union, by involving regional and local actors as well as social partners particularly, in areas where greater proximity is essential: investment in innovation, the knowledge economy, the new information and communication technologies, employment, human capital, entrepreneurship, support for Small to Medium Enterprises and access to risk capital financing (Council of the European Union 2006). Cohesion policy is a large item in the overall budget and would therefore most likely suffer if the overall budget was reduced as compared to the Commission’s proposal. Those looking to keep the Cohesion policy at the same level as proposed by the EC, would probably argue for the cuts to be made elsewhere (such as in Heading 4).

The following countries stated Cohesion Policy as one of their priorities:
- Croatia
- Czech Republic
- Estonia
- Lithuania
- Romania
- Slovenia

These countries are all part of a larger informal group of countries called ‘Friends of the Cohesion Policy’\textsuperscript{17}.

**Common Agricultural Policy**

The Common Agricultural Policy is designed to deliver a sustainable agricultural sector in Europe by enhancing its competitiveness, ensuring an adequate and secure food supply, stabilising markets, assuring the availability of supplies and ensure that they reach the consumer at reasonable prices, ensuring sustainable management of natural resources and climate action, supporting balanced territorial development throughout Europe, and preserving the environment and countryside while providing a fair standard of living for the agricultural community (EC 2011). The CAP represents roughly 40% of the EU budget and is thus the single largest EU budget item (EC 2008). ECDPM’s recent analysis of the CAP and new proposals for the CAP finds that there still are a number of issues in it that are problematic for development and developing countries and that need to be monitored more intensively. Among the recommendations the analysis puts forward, it suggests to more explicitly acknowledge the policy’s external dimension in the legislative text (Klavert et al 2011).

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\textsuperscript{15} The Member States who joined the EU in or since 2004 are: Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, and Slovenia.

\textsuperscript{16} For analysis on how a complete alignment to the EU budget keys would affect individual Member States’ financial contributions, see ECDPM’s Briefing Note 29: “More or less - A financial analysis of the proposed 11th European Development Fund” (Kilnes et al 2012).

\textsuperscript{17} For more information, see Adelina Marini, S. 2011. No External Competitiveness without Internal Cohesion. Euinside 1 December 2011.
The following countries stated at the March 26th GAC meeting that the Common Agricultural Policy is one of their priorities:

- Lithuania
- Romania
- Slovenia

Conclusion and next steps in the negotiations

As noted in the beginning of this Briefing Note, three minutes given to each Member State to express their views about the MFF at the 26 March GAC meeting and to articulate a position, is not a long time to cover either nuance or detail. However, keeping it short means that Member States had to put focus on what they thought were the important and pressing points in this forum, which as such were relevant to analyse here. Important to note though is that Member States may have positions on a number of other issues that they choose not raise in this particular meeting and might have stated in another forum. These are, however, not analysed in this Briefing Note. Care should be taken in attributing stated positions in this meeting as the definitive statement on Member States’ positions or interests.

Indeed, the MFF process is, by its very definition, a negotiation, and the non-mentioning of issues, lack of detail, or coming out strongly in public on other issues, are all part of the tactics. There will have to be a fair bit of compromise and a “give and take” from all sides before the final EU budget 2014-2020 is agreed on.

The timeline moving forward is the following (Council of the European Union 2012a):

- **24 April 2012**: The 26th of March General Affairs Council is followed by a 24th of April GAC where the orientation debates on the MFF continues.
- **May 2012**: COREPER18 will have the responsibility for preparing the further work of the General Affairs Council on the MFF, particularly when it comes to developing the “Negotiating Box”. As of mid-May, COREPER will hold regular discussions on the Box. From May 2012 onwards, the GAC will discuss the “Negotiating Box”.
- **10-11 May 2012**: Informal meeting of Ministers for European Affairs.
- **June 2012**: The goal of the Danish Presidency is to have substantial discussions on the future MFF during the European Council meeting in June.
- **End of 2012**: The EU objective is to reach an agreement by the end of 2012 on the overall MFF framework in order to ensure that the 2014 annual budget is prepared in time and that the relevant programmes and instruments are operational from day one. The MFF will be approved by a unanimity vote by the Council and a subsequent assent by the European Parliament. Because of the complicated nature of the discussions, sources claim that it is unlikely that an agreement will be reached in 2012 and that the discussions will continue in 2013.

The current positions as articulated at the 26th of March General Affairs Council indicates that there will be a fight over the overall size of the budget. Clearly, financial considerations to either pay less (for net contributors) or ensure the maintenance of proposed levels (for net beneficiaries) will be key. There are two additional topics playing an important role in the MFF discussions, particularly in terms of development, that have not yet been concluded. The first is whether the EDF will remain outside the budget or not. The second is whether protecting ODA related expenditure in the Commission’s proposals will be a top priority for Member States in the negotiations. Until a final deal on the MFF has been reached, a number of different scenarios and outcomes are still at play.

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18 Comité des représentants permanents (COREPER) - Committee of Permanent Representatives of Member States to the European Union
**Bibliography**


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