

Briefing paper: Mid-term review of the multi-annual financial framework 2014-2020

With a view to possible reforms, the Commission shall undertake in 2016 a review of the functioning of the on-going multi-annual financial framework (MFF) and assess, in parallel, EU revenue arrangements. This is an opportunity for a future-oriented examination of how the EU budget can best assist the Union in meeting its objectives. We believe that a number of considerations should inspire this exercise.

EU added value: build on three pillars

Making funds available does not add *per se* European value. The latter entails three main conditions: need of public intervention, cost-effectiveness of budgetary measures compared to non-budgetary instruments (i.e. regulatory measures) and demonstration that EU level spending can secure better results than national budgets alone. It should be possible for the EU budget to align rapidly to emerging challenges, re-allocating funds as needed.

Objectives: limited in number and operational in practice

If the aim is to bring tangible improvements to EU citizens, expenditure programmes should benefit from a critical mass of funds. Needs should be translated into a limited number of realistic objectives and be linked to intended results on which the disbursement of EU funds would depend. Objectives should be made operational for managers through meaningful targets, milestones and indicators. Such rationale would allow policy makers to assess the achievement of expected goals and re-consider the relevance of programmes, including actions and activities related to them, unlikely to meet the expectations. This would also provide a transparent basis for allocating the resources to each heading in the MFF.

Delivery: adequate administrative capacity as a pre-condition

Achieving the expected goals requires setting-up intervention strategies, selecting viable and sustainable investments and managing complex processes like procurement of public works. Persistent material levels of irregularities and significant outstanding commitments due to difficulties in several policy areas to use the funds allocated, are indicative of inadequate administrative capacity. Whilst simplification of funding schemes should be pursued, to mitigate the risk of inefficiencies the Commission should have an effective supervisory role in the accreditation process of bodies implementing the budget.

Accountability: Commission's ownership as a guarantee of the Union's general interest

Promoting the Union's general interest and taking full ownership for the results of funded actions requires regular monitoring by the Commission which goes beyond compliance requirements. This would help the EU budget deliver according to expectations, notably through an early and pro-active identification of adjustment measures required. Prevention is a better means to protect taxpayers' money than ex-post financial corrections, which do not necessarily induce lasting improvements to systems and generate in many cases an additional charge on national budgets. At the same time, new ways of funding EU policies, including outside the MFF, should not put financial risks beyond public scrutiny and audit.