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STAKEHOLDERS CONSULTATION

Opinion on "Mid-term review of the Multiannual Financial Framework: the regional and local viewpoint"

Rapporteur: Thomas HABERMANN (EPP/DE)

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General information on the Multiannual Financial Framework and the "Next Generation EU" construction instrument:

The EU's Multiannual Financial Framework (MFF) contains rules on drawing up the EU's annual budget in order to maintain budgetary discipline. In particular, it sets the maximum total amount of financial resources available for seven year period. At the same time, the MFF sets the maximum budget volume of the EU annual budgets as well as the ceilings of the individual policy areas ("expenditure headings") and thus the structure and weighting of EU spending. The EU cannot exceed the ceilings and incur any associated debt. The current financial framework was adopted in December 2020 and is valid for the period 2021 to 2027.
Added to this is the separate and temporary recovery instrument "Next Generation EU" (hereinafter NGEU), which aims to support Europe's recovery from the COVID pandemic while contributing to building a greener, more digital and more resilient Europe.
The package negotiated for the current period totals an unprecedented €2.018 trillion, including €1.211 trillion for the Multiannual Financial Framework and €806.9 billion for the NGEU. In addition, a maximum of €21 billion (in 2018 prices) is available for specific flexibility instruments for the period 2021-2027.

Financing the NGEU:
To provide the necessary means for the NGEU, the European Commission will raise around €800 billion on the capital markets on behalf of the EU until the end of 2026. In total, this amounts to an average borrowing

volume of around €150 billion per year. Although the NGEU was negotiated together with the MFF, it is not part of the financial framework.

Financing the MFF:

The annual EU budget is mainly financed by so-called own resources. These are collected by the member states and made available to the EU budget. A member state's share of financing is essentially based on its respective share of the EU's economic power (measured in terms of gross national income).

In detail, there are the following four types of own resources:

a) customs duties (around 10 % of own resources)

b) VAT own resources (also around 10 % of own resources)

c) levy on plastic packaging waste that is not recycled (around 4 % of the EU budget)

d) Gross National Income (GNI) (over 70 % of own resources).

The remaining balance is other revenue and the balance carried over from the previous year. The amount of the first three types of own resources is determined partly by actual revenue and partly by special calculation formulas. While customs duties have always existed as a direct source of revenue for the EU budget, the other own resources are, in contrast, provided by the Member States.

Since 2018, the Commission has made several proposals for new sources of revenue for the EU budget. A new contribution based on non-recycled plastic packaging waste has now been introduced (see above). In the coming years, the Commission, the European Parliament and the Council have announced their intention to work together to introduce new own resources for the EU budget. From the Commission's point of view, these revenues do not mean new taxes for European taxpayers, as the EU does not have the power to levy taxes. The introduction of new categories of own resources would fully respect national tax sovereignty. The new sources of revenue are intended to supplement GNI revenues, thereby ensuring fair burden sharing between Member States and reducing the burden on Member States. In addition, they are to be used to repay the NGEU loans.

The Commission has announced its intention to carry out a mid-term review of the Multiannual Financial Framework in the second quarter of 2023. The opinion to be drawn up will focus on the points that are relevant to local and regional authorities. Against this background, the rapporteur Thomas Habermann asks for feedback on the following aspects:

Please reply in English where possible. Replies in other EU working languages will also be taken into consideration.

The survey will be open until 16 March EOB

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Mid-term review of the Multiannual Financial Framework: the regional and local viewpoint

1. Do you think that the current Multiannual Financial Framework (MFF) sufficiently addresses the current challenges for the EU and local and regional authorities (in particular the consequences of the COVID pandemic, the war in Ukraine and rising inflation and energy costs)? Is the structure still up-to-date? Instead of a mid-term review, the opinion could propose a fundamental readjustment of the MFF.

2000 character(s) maximum

The introduction of flexibility systems is a strong and positive innovation that has been introduced in order to meet the rapidly changing scenario exposed to old and new international crisis.
More resources should have been planned to support and increase the capacity of regional and local administrations to concretely implement investments and reforms.

2. A large part of European legislative proposals include comprehensive investment obligations for local and regional authorities. How would you assess the ability of local and regional authorities to make the necessary investments in the current situation?

2000 character(s) maximum

Investment obligations and reform plans are challenging the capacity of local and regional authorities to concretely implement such investments and reforms. More resources should be provided in technical support mechanisms to enable local and regional authorities to manage the administrative and technical complexity of all these measures.
Furthermore some administrative functions (such as public procurement, financial reporting, etc.) can be centralized rather than de-centralized in order to ease the administrative burden for local administrations.

3. Do you have the impression that the Commission in its legislative impact assessments sufficiently addresses the implementation costs at local and/or regional level and the associated territorial impact of the measures? If not, how could this situation be improved?

2000 character(s) maximum

Most of the impacts generated by the investments of the MFF can only be measured in the long term. Even after 2027. An on-going process evaluation would be more beneficial in order to support the implementation process of reforms and measures and to activate prompt and effective remedial actions to support local and regional administrations.

4. Does the European Union provide sufficient resources to finance the implementation of European requirements at local and regional level?

2000 character(s) maximum

More resources to finance the implementation of European requirements at local and regional level would be beneficial. Moreover a better coordination and integration with resources provided by the national level will be helpful.

5. How would you assess the demand for new own resources to be allocated directly, at least proportionally, to the administrative level responsible for implementing the targets? Would this also provide long-term planning security for the subnational regional authorities?

2000 character(s) maximum

We assess this as positive. We believe that a decentralized system directly allocating resources (and responsabilities) to the local level will allow to maximize the impact and the appropriateness of the interventions. At the same time, as already stated, some administrative functions (such as public procurement, financial reporting, etc.) can be centralized rather than de-centralized in order to ease the administrative burden for local administrations.

6. In the past, local authorities in particular have criticized the fact that complex requirements in European public procurement and state aid law necessitate advice from law firms. This ties up part of the available funds and makes investment more difficult. Do you share this assessment? Are there other areas of law or specific requirements that restrict the investment capacity of local and regional authorities due to a high density of regulations or their complexity?

2000 character(s) maximum

We totally share this assessment. All these requirements in European public procurement and state aid law makes investment more and more difficult, and sometimes risk to prejudge the quality and impact of the interventions. Other new requirements and regulations that risk to have the same (negative) impact on administrations are, for example, the “Do No Significant Harm” (DNSH) requirements that require specific expertise that local administrations often don’t have, or new resources to be spent for advisors and consultants that imply extra-costs for the administrations.

7. What other measures would be appropriate to make greater use of MFF funds to address the challenges at local and regional level?

2000 character(s) maximum

It would be useful to have "fewer" constraints on the use of technical assistance to enable local levels to have greater support in the correct management of funds
Force (complementarity should become a constraint) the alignment of national, regional and local programming so as not to waste resources, not only between funds but also between policies.

8. Are there any other points which, in your view, should be presented in the opinion?

2000 character(s) maximum

Other comments?

Are there any other points you would like to highlight?

2000 character(s) maximum

Thank you very much for your input!

Contact

Contact Form