Proposals from CAAC concerning the MFF

Answers to ad-hoc CoR Commission

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1. Multiannual Financial Framework

General remarks

- CAAC would like to support the EP proposal for at least a 5% increase in MFF.
- MMF must be built and presented to stakeholders in a simplified and understandable structure, intended to facilitate direct appraisal from citizens
- MFF shall be reinforced by an adjusted evaluation system (a real mid-term review)
- The proposed reduction on cohesion policy does not correspond to its significance.
- CAAC truly supports the creation of the transition category, while reminding the importance of Territorial Cooperation
- CAAC welcomes the proposal of common strategic frameworks both for Research and Cohesion
- The approach of Partnership Contracts should promote shifting from top-down broad policy lines to bottom-up local good practice, taking advantage from the existing potential.
- Cohesion policy is a tool of redistribution, but also a tool for development and flexible structuring. Conditionality (ex ante, ex post and macro-economic) shall respect the principle of cohesion underlined by the Lisbon Treaty and thus not create grounds for exclusion.
- Connecting Europe is aligned with the aim for more efficiency. It should be seen as complementary to regional and local endeavours and not a substitute to regional policy.
- ERDF should seek to re-establish the balance between the three central pillars of sustainable development (economic, social and environmental). The thematic concentration of resources on the EU 2020 targets should not be accentuated.
- CAP and Cohesion policy must be balanced and search for coherence e.g. through “rurban” policies
- EU should envisage searching for a more balanced mix of sources of income

2. CoR Debate Questions :

The MFF overall

Question 1: *At EUR 1,025bn or 1.05% EU GNI, has the European Commission set the MFF at the right level? Is it "ambitious yet realistic"?*

The proposal made last June by the Commission should be understood as a minimum. CAAC would like to support the EP proposal for at least a 5% increase. Since the EU financial framework is not under risk of deficit, room for stronger investment shall be provided in application of the subsidiarity principle.

Question 2: Is the structure of the budget conducive to efficient and effective programming? Does it strike the right balance between Europe 2020 and Treaty goals?

The current situation requires an integrated, coherent, innovative and inclusive strategy, built from proximity institutions. MMF must be built and presented to stakeholders in a simplified and understandable structure, intended to facilitate direct appraisal from citizens. The Treaty goals must not be reduced nor to mainstreaming neither to symbolic measures. Hence, the thematic concentration of resources on the EU 2020 targets should not be accentuated, but completed with a territorial dimension.

CAAC Comments on the MFF structure proposed by CoR:

CAAC welcomes the proposal of a MFF structure more coherent than the one made by the EU Commission with the aims of Lisbon Treaty and the position that cohesion policies should occupy in EU budget. To this proposal, Atlantic Cities wish to add the following remarks:

1. Regional policies

Including cohesion policy, CAP (2nd pillar), common fisheries policy, regional impact of climate change, and major investments in infrastructure, research and innovation for regional balance

R. Urban dimension and future of macro-regions must be clearly stated in financial terms.

2. Policies for a sustainable future

Including CAP (1st pillar), climate change, energy, research

R. Sustainability includes three pillars, not only the environmental. Thus this item should be either included above or renamed e.g. "Policies for a greener Europe"

3. European citizenship

Including culture, youth, communication, area of freedom, security and justice

R. Lifelong educational policies should be explicitly included here

4. External action

Including external, neighbourhood and development policies

5. Flexibility and European interest reserve and review reserve

R. These items should be seen as residual, and then installed as a cross-cutting sum in MFF, not as a key item.

6. Administrative expenditure

Question 3: Is a 7 year MFF with the possibility of moving to a 10 year (5+5) cycle after 2020 the best approach?

In a context of rigor and austerity, budget efficiency is a key imperative to guarantee European development. Thus the EU MFF shall be reinforced by an adjusted evaluation system (a real mid-term review), based on the specific priorities so as to guarantee an efficient system for the allocation of resources. In addition, financial rules and timetables ought to be defined in line with realistic implementation rates and institutional terms.

Budget heading 1 - smart and inclusive growth

Question 4: Should CoR support the new budgetary structure for cohesion policy: 5% fewer funds for cohesion policy; a new "transition" category; a new rate capping absorption at 2.5% GNI; more funds for territorial cooperation?

Cohesion policy is fundamental to mobilise investment and respond to external shocks;. Thus, EU must be more ambitious and more cohesive. The proposed reduction does not correspond to the significance of the cohesion policy.

CAAC truly supports the creation of the transition category, enclosed in an ambitious EU cooperation framework and in a realistic analysis of the crisis' effects in the older member states, especially concerning Atlantic Arc countries.

Besides acknowledging the need for ascribing funds to new countries, old member states will find it difficult to alleviate a sudden absence or reduction of cohesion funds. The capping absorption rate must favour balance between territories and avoid inertia by promoting flexibility and forward-planning. These aims also show the necessity of complementary indicators to GDP and GNI.

The "Territorial Cooperation" objective is particularly sensitive for CAAC member cities. Being at the periphery of Europe, Atlantic cities especially appreciate the boost given to territorial cooperation and the need to sustain and strengthen it in the future, not only in terms of funds, but also of effective instruments.

Question 5: Should CoR support: a common strategic framework; partnership contracts requiring closer involvement of local and regional authorities; a performance reserve; conditionalities; macro-economic conditionality linking structural funds to national debt?

CAAC welcomes the proposal of common strategic frameworks both for Research and Cohesion, as they aim for increasingly integrated cohesion /research policies that could foster a cohesive, balanced and competitive development of all European territories. Provided territorial diversity is respected, the new cohesion policy must be based on the principles of efficiency and flexibility, to be enhanced by the agglomeration effect.

Partnership contracts shall imply, for local and regional authorities, a cohesion policy which is simpler, more accessible and easier to understand. The approach of these partnership contracts should promote shifting from top-down broad policy lines to bottom-up local good practice, taking advantage from the existing potential. All governance levels must participate as equals in the identification, implementation and evaluation of the measures, in order to ensure not only a balance of power, but also appropriation by stakeholders.

Artificial differentiation, such as the "excellence in management" and other conditionalities contravene the spirit of the cohesion principle, especially concerning art. 174 of the Lisbon Treaty. However, the creation of a "performance reserve" could possibly be justified if based on a financial reserve established in trade credits and earmarked/released on priorities that respond to challenges of social cohesion (preferably than EU 2020), similarly to the "Globalisation" fund.

Moreover, austerity measures and financial restrictions should not fall upon cohesion policy and local authorities alone. The macroeconomic dimension of conditionality would represent a step backwards that would go against the territorial principle recognised by the Lisbon Treaty. Cohesion policy is a tool of redistribution, but also a tool for development and flexible structuring. Conditions that would make cohesion policy a tool of punishment in respect of the Stability Pact (a single macroeconomic conditionality) could impose unfair burdens on local authorities. The principle of conditionality linked to the stability pact would not be appropriate, or realistic, or fair.

Question 6: Is the new centrally managed "Connecting Europe" fund for major transport, energy and ICT networks a welcome innovation?

Concentration of resources and means has proven good results at local, regional, national and EU levels, thus *Connecting Europe* is aligned with the aim for more efficiency while enhancing the unavoidable transnational dimension of these policies. However, CAAC would like to point out major stakes this initiative raises:

- Widening of the gap between EU centre and periphery, if priority is given to profit before territorial cohesion
- Calling into question the territorial dimension, e.g. less participation of local and regional authorities,
- Raise doubts on macro-region projects, as they intend to develop structuring projects, mainly based in *Connecting Europe* priorities. It does not only concern allocation of funds but more a risk of overlapping where subsidiarity must be respected.
- Setting up a precedent of reallocating cohesion funds to other sectoral EU policies and of making EIB funds the main source for cohesion projects.

Question 7: (Energy efficiency/ renewables, and SME competitiveness and innovation) Are these the right two priorities (for ERDF funds)? Is such ring-fencing a welcome focus or unduly restrictive?

Without overlooking diversity, ERDF should seek to re-establish the balance between the three central pillars of sustainable development (economic, social and environmental). These strands are essential to achieving the goals that the EU has set for itself in the Lisbon Treaty. Hence, the thematic concentration of resources on the EU 2020 targets should not be accentuated. Thus, the priorities should be determined actively involving regional and urban authorities and be sufficiently numerous to allow a real choice by the regional and local levels in the different areas, based on a territorial diagnosis.

Budget heading 2 - sustainable growth: natural resources

Question 8: Are the relative levels of financing allocated to CAP and Cohesion Policy an appropriate match between Europe 2020 aspirations and the available resources? Are proposals to "green" 30% of direct payments to farmers welcome?

In order to ensure efficiency, CAP and Cohesion policy must be balanced and search for coherence e.g. through "rurban" policies such as the short chain delivery tools. Better than direct payments, CAP reform should be gradual in order to facilitate the integration of farmers in the EU internal market under the EU 2020 principles. Allowing the direct exchange between producers and consumers in one same territory can be an adequate tool for economic and social development. At the same time, it must be mentioned that the proposed reform of CFP reflects a too strict framework that does not take into account the real economic impact or social consequences. Scientific background should have the means and the ability to cross information on the resource, the social impact, land management, employment, wealth… Sustainable fisheries should include economic, social and environmental components.

Own resources

Question 9: Should the CoR support the aim of replacing national contributions with genuinely European resources? If so, are these new instruments (financial transaction tax /new EU VAT resource) the most appropriate?

The current financing not only relies excessively on national contributions but also is becoming more and more opaque, with entangled mechanisms that should disappear as the "rebate on the UK rebate" for some countries. Searching for a more balanced mix, new instruments would not only reduce national contributions, but also offer a suitable agreement on the return to national budgets the 'surplus' of unused appropriations. For instance, a new financial transaction tax has been a significant claim from EU's civil society since long. Last events show the need for a more controlled financial system and guaranteed social returns of these transactions. Other similar instruments, like the carbon tax, could help to pricing and reducing externalities. Anyway, implementation of these instruments and other, like an EU charge related to air transport or the separate EU VAT rate, should ensure that the burden does not fall upon end-users, who are EU citizens. Moreover, the start of these new instruments must be accompanied by wide consensus (to be found through enlarged participation) and an adequate *phasing in* approach.

New financing instruments – EU project bonds, Eurobonds, citizens' bonds

Question 10: How should the CoR position itself on the creation of a range of new financing instruments?

At the current times, Eurobonds may seem as an appropriate response to speculative attacks against the euro and weakest EU economies; thus enhancing EU common currency, external trade and internal market in the light of the principles of solidarity and coherence. However, EU control institutions have not the adequate means to ensure efficiency and transparency or to enforce shared responsibility. Neither this possibility is sufficiently supported by the Treaties, calling for consultation to EU citizens.

As enshrined by the subsidiarity principle, EU funding may be required, in order to guarantee the protection of common goods, the adequate offer of public services and an appropriate level of investment in infrastructures. So, EU project bonds seem a good solution to avoid shortcuts in public treasury, fill the gap on EU development and facilitate perpetuation of projects. Even though:

1. This should remain a "last-chance" mechanism and do not substitute national, regional or local initiative.

2. Overlapping, especially concerning the "Connecting Europe" initiative, shall be avoided.

Integration of citizens in the EU construction project has always been a key aim of EU. As proposed by the CoR, citizens' bonds seem based on previous experiences of civic banking and crowd-funding in its diverse varieties. We must consider, in one hand, that success of programmes like Europe for Citizens, URBACT, LEADER or FARNET is mainly based on the creation of Local Action Groups. In the other hand, institutionalising initiatives that are mainly spontaneous has a risk of detracting them.

Other budget headings: security and citizenship; global Europe; administration

Question 11: Are there any other issues relating to the MFF for 2014-20 stakeholders wish to raise?