



MFF 2014-2020: better spending of taxpayer money The Parliament can make a difference

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Securing real added value for EU taxpayers money with a more forward-looking and sustainable EU budget

The key objective of the Commission's proposal on the MFF was to get an EU budget that is more policy-driven, fit for the challenges of the 21st century and supporting a green transition in order to assist the implementation of the Europe 2020 Strategy. Some emphasis was put on the green economy, resource efficiency, eco-innovation, job creation and related economic opportunities.

In contrast the European Council deal mainly focuses on vested national interests and net contributions, failing to agree on a forward looking budget able to tackle European challenges and consistent with EU environmental targets by 2020.

- In CAP, funds for forward looking measures in the Rural Development programmes are sacrificed to safeguard Direct Payments, while the greening of Direct Payments is weakened and the so-called 'reserve modulation' mechanism can siphon Rural development even more;
- Development funds directed to outside of the EU (including EU ODA) are deeply cut compared to the Commission's proposal, while retaining added objectives ;
- The research fund and potentially climate friendly infrastructure fund are massively cut compared to the Commission's proposal.

The European Parliament still has opportunities to improve the Council agreement on the MFF and ensure better spending of EU taxpayers' money.

1. Ensure quality of spending within Headings

The Commission proposed an integration approach where financing for the environment was to come from each and every EU fund. The Council agreement on the MFF implies that this approach is failing, especially when it comes to ensuring sufficient funding from the CAP. Moreover, the lack of funding specifically dedicated to the environment has been ignored.

→ **Environmental NGOs call on the Parliament to ensure that:**

- **At least €5 billion is redistributed to the LIFE programme within Heading 2**, in order to cover at best 10% of the Natura 2000 financial costs, to which the Commission and the Member States are committed to. This has also been

recently endorsed by the German Federal Parliament as well as the German Federal State;

- **The Development Cooperation Instrument in Heading 4 (external dimension) is allocated €20,6 billion – the amount proposed by the Commission**, in order to match commitments to eradicate poverty and provide climate and biodiversity finance for the poorest countries;
- **In CAP, the ‘reverse modulation’ (transfer of funds from Pillar 2 to Pillar 1) is allowed only under the condition that the current levels of environmental funding in the Pillar 2 (current axis 2) won’t be reduced in the next period**, in order to ensure that the level of environmental delivery is maintained in the Rural Development fund;
- **The programming under the EU Structural and Investment Funds (formerly known as the Common Strategic Framework Funds) ensures resources to invest in our natural capital, with a primary focus on the Natura 2000 network (the cornerstone of EU biodiversity policy), including:**
 - at least 25% of agri-environment schemes under CAP Pillar 2;
 - obligatory investments for environmental activities under Cohesion Policy;
 - investments in marine Natura 2000 areas under the European Maritime and Fisheries Fund (EMFF).

These investments are fundamental to deliver green jobs, economic opportunities and contribute to the achievement of EU 2020 environmental targets. They should ensure synergies with the LIFE programme and be based on the needs identified in ‘Prioritized Action Frameworks’ as required by Art.8 of the Habitats Directive, which are now drafted at national or regional level to help Member States to organise and prioritise their efforts to implement Natura 2000.

2. Guaranty a proper implementation of the 20% climate spending commitment

With Council’s MFF figures and Commission’s assumptions, **we estimate that only around 9% of the next MFF will support climate action: there is a huge €103 billion gap between current proposals and 20% climate spending in the next MFF.** The funds that would have delivered the most climate action for the EU have been slashed by the Council (Horizon 2020: 35%, Connecting Europe Facility: 33%, and Development Cooperation Instrument: 14%). Cohesion Policy stands at only 11.4% currently. With only 3.5% for climate action, CAP is by far the most worrying EU fund in terms of climate mainstreaming.

- ➔ **Environmental NGOs call on the Parliament to require the Commission to publish a strategy and make recommendations on how to reach the 20% commitment for the overall MFF and fund by fund.**

In addition, a common methodology for climate tracking is being drafted by the Commission, in order to assess how much MFF money will actually be spent for climate action. It is a necessary tool to improve the performance of EU spending in line with the Europe 2020 Strategy and to increase MFF spending efficiency in the mid-term.

- Environmental NGOs call on the Parliament to ensure that the climate tracking methodology is stringent and does not inflate climate spending figures, especially in CAP, and that it is coherent with the Monitoring, reporting and verification (MRV) framework adopted by the Council to report back to the UNFCCC.

3. Ensure that flexibility will benefit the most forward looking funds of the MFF

In the current MFF, unspent money goes back to national coffers. In addition its structure is very rigid and flexibility between headings and years is very hard to ensure.

More flexibility will contribute to a modernised MFF only if it is targeted towards a more forward looking spending. The priority criteria for flexibility mechanisms should be the transition to a modernised, sustainable and innovative European economy.

Priority areas of focus for reallocation of EU funding should include:

- Energy savings, renewable energy, power storage and smart grids – to deliver on EU climate and energy 2020 and 2050 targets;
- Biodiversity conservation and restoration, green infrastructure – to deliver ecosystems services that a huge part of our economy depends on and the 2020 biodiversity target;
- Eco-innovation, resource efficiency and smarter water, land and waste management – to deliver on resource efficiency targets by 2020;
- Efficient and decarbonised transport systems with a focus on intelligent transport systems and improvements of existing infrastructures rather than building new ones – to deliver on mobility needs while ensuring cost management;
- European international commitments for poverty eradication, climate finance and biodiversity finance.

On the opposite, flexibility that would benefit obsolete CAP Direct Payments would worsen the achievement of EU priorities.

Therefore, we demand that potential reallocations of funds cover the following EU funds:

- LIFE Nature and Biodiversity;
- Horizon 2020: eco-innovation, energy and resource efficiency innovation;
- Connecting Europe Facility: renewable power infrastructures;
- Development Cooperation Instrument: thematic programmes focusing on poverty eradication, climate and biodiversity finance.

4. Ensure that a MFF review focusses on the achievement of EU 2020 environmental targets

The Parliament is rightly asking for an MFF mid-term review to be conducted – following the Parliament elections.

The MFF was designed to finance the implementation of the European policies required for the Europe 2020 Strategy. The energy efficiency, renewable energy, climate, biodiversity and water targets that the EU has commonly agreed to for 2020 are crucial: they are vital to reduce EU's ecological footprint, exit the crisis through green job creation,

boost economic opportunities for SMEs, eco-innovation and sustainable long term infrastructures. They are also an essential step to put the European economy on the path to full decarbonisation and high energy and resource efficiency by 2050.

The MFF review should assess how much each EU fund is contributing to this green economic transition. Targets at risk to be missed (notably energy efficiency and biodiversity) need to receive a stronger emphasis and corrective measures should be taken to reallocate available EU funding towards the achievement of these targets.

- **Environmental NGOs call on the European Parliament to ensure that there will be an established MFF review around 2017 assessing the contribution of each EU fund to the EU 2020 environmental targets, followed by corrective measures (reallocation of available funding) within a renegotiated EU Budget.**

5. Ensure an effective implementation of the performance framework for the MFF spending

The Commission has rightly introduced a performance framework to ensure a better delivery of the EU spending and reduce wasteful and harmful spending. It includes:

- Result orientation of investments: set ambitious targets and regularly monitor the progress;
- Ensure that the Member States' fulfilment of relevant ex-ante conditionalities is properly assessed and ensured, as it is a key mechanism to improve quality of spending and ensure consistency of EU spending with EU policies;
- Ensure that the performance reserve will focus on the achievement of EU 2020 environmental targets, to drive green economic sectors, green job creation and eco-innovative projects;
- Better involvement of the court of auditors, academia and civil society in the evaluations.

- **Environmental NGOs call on the European Parliament to ensure that the performance framework will be properly implemented and will go beyond a ticking box exercise, to bring added value to the EU spending.**

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