



# Presidency Conference on the Multiannual Financial Framework

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**28 January 2016**

Your Excellencies, ladies and gentlemen,

Welcome to Amsterdam. And a special welcome to our keynote speaker today, European Commission Vice-President Kristalina Georgieva. I'd like to thank all of you for being part of today's Presidency Conference on the Multiannual Financial Framework – or 'MFF' for short. This is a crucial time to discuss the topic, as our citizens and parliaments rightly ask for change. This event has come about because of the need to reform the MFF – a need which is obvious and challenging in equal measure. It is obvious given the multiple crises besetting Europe. During the deepest recession since the 1930s, the European Union struggled to make its budget more flexible in order to stabilise the economy. Europe is slowly emerging from the economic crisis, but now migration is forcing us to reconsider our priorities again. A European response is essential to safeguard our borders, to address the instability surrounding our continent and to provide refugees with the protection they need. Exposed to such great pressures, the limitations of the current framework are starting to show. The need for reform is also challenging, because of the delicate balance of interests reflected in the budget. Ill-conceived changes may undermine the entire structure. Instead of building trust between member states, they could foment mutual distrust.

Today, I want us to explore how we can begin to solve that puzzle. Because maintaining the status quo simply isn't an option. Our citizens have the right to expect more than that. Some of you have only just arrived here in Amsterdam, but I'd like to invite you right away to join me on a new journey. I want you to fast-forward to the year 2020. Imagine a meeting room in Brussels, early one Friday morning in February. After 28 caffeine-fuelled hours, we all look at each other, red-eyed, and breathe a sigh of relief. The new budget has been agreed. The first deadline passed a couple of days ago, and negotiations started two years ago. But we finally have a deal. The structure of the MFF has barely changed during those years of negotiations, but that doesn't really matter any more. At least we have a deal – let's not think about this issue for another four years!



As soon as the agreement is announced to the waiting press, the pundits pounce on the numbers. They don't check whether we've really got the best possible budget for our citizens and businesses.



They only want to know which member states got the largest allocations, and which are the biggest contributors. Who are the winners and who are the losers? For them, straight away, the budget is a scoreboard. The negotiations are seen as a zero-sum game in which one country's gain is another country's loss. When the amounts are more important than the activities they finance, the budget becomes an end in itself, instead of a means to achieve our plans for the future.



Of course, I'm exaggerating – but only a little. During the previous negotiations, the MFF was improved, but only on a number of points. There is more flexibility in the current budget for example, and spending has become more coherent with longer term policies like 'Europe 2020'. But the scenario I described to you is at least plausible, because it resonates with previous experience. During lengthy, difficult and sometimes frustrating negotiations, we manage mostly to maintain the status quo. In his excellent briefing paper, Jorge Núñez Ferrer of the Centre for European Policy Studies hits the nail on the head when he observes that 'the actual effectiveness of the budget has often been secondary in the negotiations'.




A budget that does not put effectiveness first should be cause for great concern. After all, our budget is – and I quote – 'not just a collection of numbers, but an expression of our values and aspirations'. These are the words of Jack Lew, the current United States Secretary of the Treasury. They hold as much truth for Europeans as they do for Americans. Treating the European Union budget as a scoreboard means neglecting our common European values and aspirations. It means ignoring the perspectives of our citizens.



European solidarity is already being put to the test. Trust in national institutions, trust in European institutions, and trust between member states have all taken a knock in recent times. We can't afford the scoreboard approach, because it weakens the European Union's response to the grave challenges confronting us. Just look at some of the key issues today and in the years ahead:

- An arc of instability has emerged around the European Union, threatening our security and triggering record migration flows. Europe needs a stable and secure neighbourhood, and that requires partnerships with the countries around us.
- Our countries are only slowly recovering from the biggest economic crisis since the Great Depression. Europeans need decent jobs, which require investment and innovation.
- Our environment needs sustainable energy and climate policies. Just look at outcomes of the climate negotiations in Paris, which were a victory for diplomacy.



Our citizens deserve an EU budget that enables us to meet these challenges head-on. We urgently need to reconsider our budget and goals. The economic crisis and the migration crisis have laid bare the limitations of the Multiannual Financial Framework. This budget is not fit for purpose. It is not future-proof.

We shouldn't view the budget as if it were a scoreboard. Instead, we need to treat it as a storyboard. As any film director can confirm, a storyboard makes it possible to translate a vision into a specific plan of action. And that's exactly what the MFF should accomplish: it should help us translate our European values and aspirations into policies and programmes that allow us to reach our common objectives. Like a storyboard, a budget should turn visions and ideas into tangible results.

If we want to achieve a more satisfactory outcome in four years' time, we need to start thinking aloud and exchanging ideas. Now is the right time to do so. There is still a while to go before the next round of negotiations.

The top concern for all of us should be building a flexible and modern budget that is strongly linked to our common political priorities, and that takes the perspectives of our citizens much more seriously. We won't produce that budget today, but we can make a start.

I will identify a number of pressing dilemmas and I will also offer a few preliminary ideas, with the aim of kicking off a frank and open discussion.

The dilemmas are related to the four key themes for discussion in the workshops later on. First, we need to identify the main principles that should govern the Multiannual Financial Framework. In other words, what constitutes an 'ideal' budget? It needs to provide an effective response to short-term crises, but we also want a degree of predictable funding in the medium term. And should the budget enforce desirable behaviour at national level, fulfil needs that member states can't meet, or encourage promising developments? Second, we need to talk about how the budget is financed. In the current system, member states essentially provide the resources. Has the time come to introduce genuine 'own resources'?

In the course of this year, we can expect to see the final report from the High Level Group on Own Resources –I'm very honoured that its chairman, Mr Mario Monti, is here today. Is it possible to create a set of own resources that allows for fairness, stability and transparency?

The third dilemma relates to new priorities and flexibility. Inevitably, priorities and circumstances change over the years. As I mentioned, the current EU budget allows for some flexibility. Is more flexibility only possible by expanding these existing facilities? How can we ensure that we get fundamental



reform instead of simply cosmetic changes?

Fourth, and finally, the negotiation process itself poses a special kind of challenge, which has to do with the focus on national net positions. Can we move beyond the scoreboard mentality I mentioned earlier, or would that pose too big a risk for nationally accountable politicians? Proceeding from our common European goals, we need to assess the degree of success in these negotiations using a different yardstick. What would that yardstick be? And what are our incentives to make this choice? Today's conference presents a unique opportunity to explore these questions, as we rarely discuss the negotiation process as such.

The negotiations also need to be subject to proper democratic control.


Let's exchange ideas about how to make sure that parliaments are well-informed. Involvement starts with information, but it doesn't end there: it's also about participation. It's about national parliaments and the European Parliament providing direction. That's why I'm delighted to see so many elected representatives here today with us.

Tremendous variation exists concerning the ways national governments involve their parliaments. In the Netherlands, our parliament set the mandate before the start of the negotiations over the current MFF. During the negotiations, several updates about the state of play enabled the House of Representatives to make adjustments. And this time, our parliament is on top of the process even sooner; in fact, today's conference is the brainchild of Mr Alexander Pechtold of the Dutch House of Representatives, who is with us today as well.

As we hold the Council Presidency, I consider it our responsibility to take the initiative. The Presidency is not a Miss Universe contest – it's not enough simply to wish for peace and harmony and an end to all the world's problems. I want to actively help engineer solutions instead.

The Dutch Presidency wants to be an honest broker when it comes to existing positions, but it also wants create room for new positions. To explore possible ways forward, with a real sense of purpose and a healthy dose of idealism, but without being naïve. In its Presidency role, the Netherlands is expected to come up with suggestions, to test the waters and to get a 'sense of the house'. We want to enable you all to reflect on these questions and to work together to see if we can generate some new ideas.

So let me share a couple of thoughts with you. And I stress that these are simply ideas at this stage. They have no formal status and are meant to elicit a response. I am thinking aloud, and I encourage you to do the same. I want to know what does and does not resonate. At this stage, let's not be afraid of challenging received wisdom. We are still charting the options, and the wider our horizon, the better.



Let's start with the cherished principle of subsidiarity. Say we apply the subsidiarity principle to the existing Multiannual Financial Framework, budget line by budget line. Let's subject all expenditures to a very strict and simple test: whether or not they offer 'European value added' to the maximum extent possible.

Would we end up with the same budget, or with something radically different? For example, maybe we can improve the return on taxpayers' euros if we merged all current investment subsidies into a single, pan-European investment fund to foster economic growth.

Simplicity and quality go hand in hand. Mathematicians take great pride in elegance: solutions should be as succinct as possible. I think we can learn something from that ambition. Budgets that are complicated and muddled are usually lacking in effectiveness as well. So let's strive for a lean and mean MFF, because it will get us better results.

We also need to look at absorption capacity. A budget should never result in funds in search of projects. We can't spend resources if there is no capacity to absorb them. If we do, inevitably standards will fall. Perhaps an emphasis on performance-based budgeting could help to improve how EU funds are spent. But implementation is key. In theory, it makes sense to cut funding for ineffective policies. But in practice, the incentives are completely different: when results are lacking, there is often pressure to spend more money to make a policy work, not less. To avoid that pitfall, we need a proper feedback system. It should determine what happens when the results differ from our expectations.

Finally, I want to raise a fundamental issue about the MFF. I believe in the principle that in an ideal EU, the political priorities of the Union should come first, taking precedence over the exact financial outcomes. The budget needs to reflect the European Union's Strategic Agenda. It must be coherent with new political priorities: innovation, migration, external partnerships, to name a few. And the budget must show enough flexibility to accommodate future priorities that result from challenges we can't yet predict. It is a matter of urgency, as we can see every day.

Ladies and gentlemen,

We need an open and frank exchange of ideas, which we can only have if everyone is willing to commit to exploring new possibilities. I realise that what we're asking of you today is not easy. But we are in the right setting, at the right time, with the right participants, to start thinking about the next MFF. You only need to look at the many experts, practitioners, parliamentarians and high-level representatives from all over the EU to realise that.

The success of this event should not be measured only in terms of specific proposals or negotiating positions. After all,



the formal process won't start until the Commission's mid-term evaluation later this year, although Vice-President Georgieva might offer us a sneak preview in her keynote speech.



Instead, today's conference is intended to help shape mind-sets and set the scene for further discussions in the months to follow. Its success will become apparent once the negotiations have been concluded.



So I invite you to share your ideas:

- Let's look at ways to make sure that the budget is not a zero-sum game, but a positive-sum game. Let's view the budget not as a scoreboard but as Europe's storyboard.
- Let's end the budget's path-dependency, with its rigid structure resulting from decisions made in a different age. Let's instead make sure that the budget is reality-dependent and future-proof.
- And finally, let's prevent the Multiannual Financial Framework from becoming an end in itself. Let's instead ensure the budget helps realise European citizens' collective values and aspirations.



I look forward to a day of fruitful discussions. Thank you.



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*Amsterdam, 28 January 2016, Presidency Conference  
on the Multiannual Financial Framework*

