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# THE FUTURE DEVELOPMENTS OF THE EUROPEAN UNION BUDGET AND THE CONNECTING EUROPE FACILITY

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# ABSTRACT

The European Union is currently facing a strong financial crisis which is undermining the economy of its Member States. To overcome this crisis, it is essential that the EU countries agree on the right measures to be adopted. One of the paramount tools in the hands of the EU to boost the economy and stimulate growth is its budget. The budget is regulated by a Multiannual Financial Framework (MFF), which sets the maximum amount of money to be spent on several areas and translates in numbers the EU objectives during the period it covers. The current MFF will expire in the following year. The next MFF has already been proposed and it will cover the period ranging from 2014 to 2020. Given the difficult years, it is extremely important that the new MFF will direct the budget to tackle the problems that the EU is encountering. Therefore, this study will analyze the structure of the EU budget and its future developments brought about by the Multiannual Financial Framework (2014-2020). The new MFF gives particular emphasis and devotes a big part of the budget to the accomplishment of a better connected Europe. €50 billion will be allocated to develop the Connecting Europe Facility project, which will enhance Europe's transport, energy and digital networks. This project will also be subject of research.

## INTRODUCTION

A budget consists of the pooling together of income and expenses of predetermined members, so that they can decide beforehand how much money to allocate on one item and how much on another. Building up a budget is not an easy task, yet it is an essential step to determine financial health and, most of all, to create financial stability.

In the case of the European Union, the EU budget is the paramount instrument to achieve integration among Member States and improve EU citizens' welfare. Indeed, as reported by the European Commission in 2011, a large part of the budget is dedicated towards boosting convergence across EU countries and into generating jobs and growth opportunities.

The process of determining the budget every year follows four steps:

- first of all, the European Commission proposes the budget for the next year, with respect to policies and programs;
- secondly, deputies of the EU Parliament and Council determine how the money will be spent to achieve the EU goals;
- thirdly, the Commission must report back to the Parliament on how the money was spent;
- finally, the European Court of Auditors scrutinizes the expenses to check whether the budget was implemented legally and correctly[1].

The last two steps serve as a guarantee that the EU money is used in a sound and rightful way and to make the EU bodies accountable for their actions. Moreover,

1 European Union. (2012). Budget. Retrieved from http://europa.eu/pol/financ/index_en.htm

constant controls on where and how the money is spent enhance the reputation and credibility of the EU institutions.

Every annual budget has to comply with the Multiannual Financial Framework, which is a document written down in a Council Regulation, that has to be unanimously adopted by every Member State. The Multiannual Financial Framework (MFF) establishes the amount of budget expenses to dedicate each year to specific areas and sets ceilings, that is the maximum amounts to be spent on these areas. The MFF, as suggested by the name, covers a broad period of time; the last MFF, that started in 2007, will expire in 2013. The next MFF will cover the period ranging from 2014 to 2020.

Given the particular years of crisis that Europe is facing, it is nowadays extremely essential that the European Union creates the basics for further integration and, more importantly, for growth. If the EU succeeds into deploying its budget in the right way, it can get out of the crisis and exploit the huge potential of its economy. In this context, much attention needs to be paid to the next Multiannual Financial Framework (2014-2020), which modifies the EU budget and highlights the EU broad policy areas. After an analysis of the next MFF, this paper will try to answer the question of whether the European Union institutions will be addressing the right problems and also whether the new budget is likely to achieve the Europe 2020 targets.

Therefore, in this thesis, particular attention will be paid to the future, yet imminent, developments of the European Union budget. In order to do this, in chapter 1 the EU budget as it is today will be presented. The second chapter will deal with the Multiannual Financial Framework (2014-2020) and will focus on the changes and enlargements brought about by the new MFF. Chapter 3 will narrow down the analysis to a new initiative introduced in the new budget, that is the Connecting Europe Facility. Chapter 3 will serve as a practical example of how the EU budget has been enlarged and directed to specific objectives.  The last chapter will present an overall analysis of these budget developments with respect to the Europe 2020 targets. In particular, in this last section, it will be checked whether with the new budget the EU Member States will be capable of achieving the major objectives that the EU itself proposed for the period culminating in 2020. Finally, the thesis will wind up with a conclusion that will sum up the main issues of the study.

## 1. THE EU BUDGET TODAY

On the 1st of December 2011, the European Parliament endorsed the final size of the 2012 EU budget. The total size of the budget will amount to €147,2 billion in commitment appropriations[2]. Commitment appropriations consist of the total legal obligations, undertaken by Member States in the current financial year (FY), to make payments in the current or future FY. The EU budget makes a clear distinction between commitment appropriations and payment appropriations. The latter are the total amounts to be paid in a budget year. Hence, it is possible that these two figures do not coincide *(see Figure 2)*. In fact, for instance, in 2012 a State can enter into the obligation to pay for activities in the following year. This would account as a commitment appropriation in the 2012 budget, but as a payment appropriation in the 2013 one.

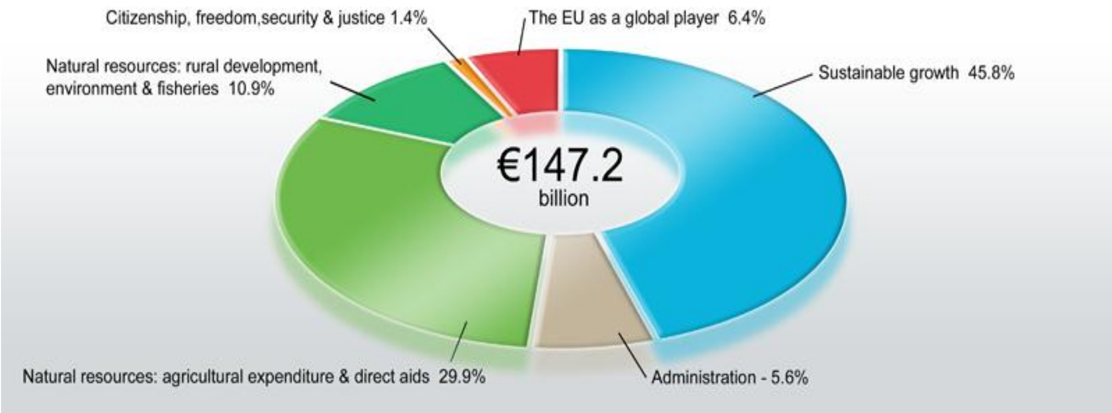
On average, the EU budget commitment appropriations amount approximately to 1,12% of the Member States' Gross National Income (GNI), whereas the payment appropriations amount to 0,98%. This numbers show that the EU budget is very small when compared to the sum of all the EU countries' national budgets, which is more than €6.300 billion[3] *(European Commission)*.

Figure 1 *(below)* summarizes the priority areas where the European Union Budget is focused on. Instead, Figure 2 is more detailed, insofar as it adds actual numbers to percentages. The number in Figure 2 do not include the European Union Solidarity Fund, which is a fund dedicated to fast interventions to provide aids for those areas in the Union hit by a disaster.

2 European Commission. (2012). Budget 2012 in Figures. Retrieved from http://ec.europa.eu/budget/figures/2012/2012_en.cfm

3 European Commission. (2012). Myths and Facts. Retrieved from http://ec.europa.eu/budget/explained/myths/myths_en.cfm

*Figure 1: The EU Budget 2012*




*Source: European Commission*

*Figure 2: The EU Budget 2012 – The Figures (CA = Commitment Appropriations, PA = Payment Appropriations)*

| Heading | Billion € | | % of total budget | % change from 2011 | |
|---|---|---|---|---|---|
| | CA | PA | | CA | PA |
| **1. Sustainable Growth** | **67.5** | **55.3** | **45.9** | **+4.7** | **+3.2** |
| 1a. Competitiveness for growth and employment | 14.7 | 11.5 | 10.0 | +9.1 | -0.2 |
| 1b. Cohesion for growth and employment | 52.7 | 43.8 | 35.8 | +3.5 | +4.1 |
| **2. Preservation and management of natural resources** | **60.0** | **57.0** | **40.8** | **+2.2** | **+1.9** |
| *of which Direct aids & market related expenditure* | 44.0 | 43.9 | 29.9 | +2.6 | +2.5 |
| *of which Rural development, environment & fisheries* | 15.9 | 13.1 | 10.8 | -1.3 | -0.1 |
| **3. Citizenship, freedom, security and justice** | **2.1** | **1.5** | **1.4** | **(*) +10.9** | **(*) -1.3** |
| 3a. Freedom, security and justice | 1.4 | 0.8 | 0.9 | +15.9 | -2.5 |
| 3b. Citizenship | 0.7 | 0.6 | 0.5 | (*) +2.1 | (*) 0.4 |
| **4. EU as a global player** | **9.4** | **6.9** | **6.4** | **+7.4** | **-4.0** |
| **5. Administration** | **8.3** | **8.3** | **5.6** | **+1.3** | **+1.3** |
| *of which for the Commission* | 3.3 | 3.3 | 2.3 | +0.2 | +0.2 |
| **Total** | **147.2** | **129.1** | **100** | | |
| In % of EU-27 GNI | 1.12 | 0.98 | | | |

*Source: European Commission*

### 1.1 Sustainable Growth

From the two figures in the previous page, we can see that almost half of the budget (45,8% or 67,5 billion in CA) is dedicated to sustainable growth. This growth is reached in two ways: by making the EU more competitive; and by boosting the process of convergence, which is practically translated into development of the poorest EU countries.

The EU makes use of three specific funds to favor competitiveness and convergence and, thus, to achieve the ultimate goal of sustainable growth. These funds are the following:

- The European Regional Development Fund (ERDF)
- The European Social Fund (ESF)
- The Cohesion Fund

The European Commission's Directorate General (DG) for Regional Policy is the body in charge to manage these three funds. In addition to them, the DG administers the, already mentioned, European Union Solidarity Fund (EUSF) and the Instrument for Pre-Accession Assistance (IPA). The latter is a fund specifically aimed to candidate countries to help them develop efficient transport network and environmental infrastructure[4].

In order to understand how these funds are used, it is important to understand the three main objectives set by the EU for the 2007/2013 period. These are: Convergence; Regional Competitiveness and Employment; and European Territorial Cooperation.

4 European Commission. (2012). Directorate General for Regional Policy. Retrieved from http://ec.europa.eu/dgs/regional_policy/index_en.htm

With the Convergence objective the EU commits into helping all those regions in the EU area whose GDP per capita is less than 75% of the EU average. This objective is the one which requires the biggest amount of resources. The second objective, Regional Competitiveness and Employment, aims to create job opportunities and making the regions at stake more appealing for companies and investors. This objective regards all those regions not included in the Convergence one. The last goal is to foster cooperation across borders. This last objective is the one that consumes the smallest financial resources, partly because the EU has not yet devoted so much effort into its achievement.

The European Regional Development Fund (ERDF) is the fund that contributes to the achievement of all the three objectives.  Its main purpose consists into fostering economic and social cohesion in the Union. In order to do this, the ERDF seeks to adjust the imbalances existing among the EU regions. 'In short, the ERDF finances:

1. direct aid to investments in companies (in particular SMEs) to create sustainable jobs;
2. infrastructures linked notably to research and innovation, telecommunications, environment, energy and transport;
3. financial instruments (capital risk funds, local development funds, etc.) to support regional and local development and to foster cooperation between towns and regions;
4. technical assistance measures.[5]' *(European Commission – Regional Policy)*

5 European Commission. (2012). European Regional Development Fund. Retrieved from http://ec.europa.eu/regional_policy/thefunds/regional/index_en.cfm

The European Social Fund (ESF) is a fund devoted to the completion of the first two objectives. Its main goal is to create better conditions for employment in the Member States. This fund is particularly used to facilitate access to employment for those people who seek for a job. Moreover, the ESF is employed to fight discrimination in the job market and favor social integration. Furthermore, the ESF provides financial tools to improve the human capital of the Member States[6].

The last of the three funds devoted to sustainable growth is the Cohesion Fund. This fund is specific for the convergence objective. It focuses on the poorest countries of the EU. A Member State is eligible for finance under the Cohesion Fund if its GNI per capita is less than 90% of the EU average. In the 2007-2013 period the EU countries that receive help from this fund are: Bulgaria, Cyprus, Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Slovenia. In practical terms the Cohesion Fund finances the intra-European transport networks and projects related to energy, which bring environmental benefits, such as renewable energies[7].

Figure 3 *(next page)* summarizes which objective the funds serve.

6 European Commission. (2012). European Social Fund. Retrieved from http://ec.europa.eu/regional_policy/thefunds/social/index_en.cfm

7 European Commission. (2012). Cohesion Fund. Retrieved from http://ec.europa.eu/regional_policy/thefunds/cohesion/index_en.cfm

*Figure 3: Objectives, Structural Funds and Instruments (2007/2013)*

| Objectives | Structural Funds and instruments | | |
|---|---|---|---|
| Convergence | ERDF | ESF | Cohesion Fund |
| Regional Competitiveness and Employment | ERDF | ESF | |
| European Territorial Cooperation | ERDF | | |

*Source: European Commission*

### 1.2 Natural Resources: Agricultural Expenditures & Direct Aids and Rural Development, Environment & Fisheries

The second biggest figure of the EU budget is the one that concerns the preservation and management of natural resources. It accounts to approximately \$60 billion, which corresponds to 31,8% of the whole 2012 budget.

Under this section enters the Common Agricultural Policy (CAP). The CAP has historically been the most important common policy of the European Union. As a result, it was also the policy which required the biggest part of the budget. However, as a consequence of many critiques, expenditures on the CAP are constantly decreasing and they are expected to decrease further with the new MFF (2014-2020). The CAP was initially justified by the food shortages induced by World War II. The Western countries wanted to guarantee enough food supply to their citizens. To do so, they subsidized production and bought all the surplus. However, agricultural production started to rise exponentially and vast amounts of food were wasted. After several phases, the EU introduced what are known as direct payments, which account for a big part of expenses linked to the CAP. These payments serve to compensate farmers who are required to limit their production. Nowadays, direct payments are granted to farmers under specific schemes, such as the Single Payment Scheme[8]. Direct payments alone amount to about €40 billion and make up for a big percentage of the overall budget.

The CAP is financed by two distinct funds:

- European Agricultural Guarantee Fund (EAGF)
- European Agricultural Fund for Rural Development (EAFRD)

The former 'finances direct payments to farmers and measures to regulate agricultural markets such as intervention and export refunds, while the [latter] finances the rural development programs of the Member States.[9]' *(European Commission - Agriculture and Rural Development)*

For what concerned fisheries, the MFF (2007/2013) created a new fund, the European Fisheries Fund (EFF), whose purpose is to provide financial help to implement the 2002 reform of the Common Fisheries Policy[10]. The EFF is given €4,3 billion euro throughout the whole 2007/2013 period; hence, the annual EFF budget consists of approximately €½ billion. This figure does not really constitute a large part of the overall EU budget.

8 European Commission. (2012). Direct Payments. Retrieved from http://ec.europa.eu/agriculture/direct-support/direct-payments/index_en.htm

9 European Commission. (2012). Financing the Common Agricultural Policy. Retrieved from http://ec.europa.eu/agriculture/fin/index_en.htm

10 European Commission. (2012). European Fisheries Fund. Retrieved from http://europa.eu/legislation_summaries/maritime_affairs_and_fisheries/fisheries_sector_organisation_and_financing/l66004_en.htm

### 1.3 Citizenship, Freedom, Security and Justice

A very small part of the budget is dedicated into 'strengthening the concept of European citizenship by creating an area of freedom, justice, security and access to basic public goods and services[11]'. *(European Commission – Financial Programming and Budget)*

### 1.4 The EU as a Global Player

This is a very sensitive area for the European Union. Indeed, one of the main reasons why European countries decided to form the EU is to have a strong international position, which they would not have enjoyed if they stood on their own, given their limited size with respect to the biggest countries of the world.

This part of the budget amount to 6,4% of the total. It is particularly used to finance scientific research programs that are important to keep the EU competitive worldwide. 'EU research funding promotes integrated research projects involving scientists working in different EU countries[12]'. *(European Union – Budget).* This approach contributes to the integration objective and stimulates the share of knowledge among Member States.

Moreover, the EU as a global player, is particularly active into favoring social and economic development for the poorer countries and into helping victims of wars and disasters.

11 European Commission. (2012). Where Does the Money Go? Retrieved from http://ec.europa.eu/budget/explained/budg_system/fin_fwk0713/fin_fwk0713_en.cfm

12 European Union. (2012). Budget. Retrieved from http://europa.eu/pol/financ/index_en.htm

### 1.5 Administrative Costs

This part of the budget, which amounts to €8,3 billion is made up of all the costs incurred to run the institutions of the European Union. In particular, this amount reflects the costs of running the European Parliament, the European Commission and the European Council. Moreover, it includes the compensations for all those people responsible for a smooth functioning of these institutions, such as interpreters and translators.

## 2. THE MULTIANNUAL FINANCIAL FRAMEWORK (2014-2020)

### 2.1 The MFF (2014-2020) Objectives

As the President of the European Commission, Jose Manuel Durão Barroso, stated in the *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – A Budget for Europe 2020 (29/6/2011)*:

> 'The European Union works everyday to help realise the aspirations of our 500 million people. I believe it can be a force for the renewal of the highly competitive social market economy in Europe and globally. To do this, we need a budget that is innovative. A budget that is attuned to the new realities of globalisation. A budget that responds to today's challenges and creates opportunities for tomorrow[13]'.
>
> *(Jose Manuel Durão Barroso)*

With this statement, Barroso underlined the importance of allocating the EU budget in the most appropriate and efficient way. In fact, the EU is currently at a turning point. The crisis that hit Greece and "infected" the EU as a whole represents the biggest threat to Europe's integration and the Euro currency. One way to exit the crisis is, indeed, through the efficient deployment of the budget. Despite its limited size with respect to the sum of all EU countries' national budgets, if the EU budget is well employed, it can be a valid resource capable of boosting the EU economy and creating the prospects for

13 European Commission. (2011). Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – A Budget for Europe 2020. Retrieved from http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=SPLIT_COM:2011:0500(01):FIN:EN:PDF

growth. This is why it is nowadays important that the new Multiannual Financial Framework is designed according to the needs of all the European Union countries.

The main issues that the new MFF has to tackle in these years of financial crisis and, consequently, the main areas it should direct its funds on are:

- reducing inequalities among and within countries
- reducing poverty;
- favoring access into the labor market;
- moving towards a 'green economy', that is an environmental-friendly economy;
- investing significantly in infrastructure for transport, energy, information and communication technology.

## 2.2 The Move from the MFF (2007-2013) to the New MFF

In practice, the new Multiannual Financial Framework for the next 7 years expects Member States to contribute to the budget a total €1025 billion in commitment appropriations and €972 billion in payment appropriations[14]. This new figures, adjusted in 2011 prices, are still approximately 1% of Member States' GNI. Hence, the new MFF does not expect EU countries to contribute more money to the budget. It does not foresee a significant enlargement of the existing budget. However, it alters considerably the amount of financial help dedicated to specific areas.

14 Janusz Lewandowski. (2011). The Multiannual Financial Framework (2014-2020) Presentation. Retrieved from http://ec.europa.eu/commission_2010-2014/lewandowski/library/documents/pressConf_MFF_presentation_20110629_en.pdf

Figure 4 *(below)* is especially useful to see where the EU intends to focus its budget efforts in the next period covered by the new MFF. Particularly eloquent is the last column of the table, which indicates the percentage change from the 2007/2013 period to the following one. A large percentage change clearly indicates that an increasing part of the budget will be dedicated to a certain specific objective.

*Figure 4: Comparison between the MFF (2007-2013) and the MFF (2014-2020)*

| COMPARISON MFF 2007-13/2014-20 | EUR billion in 2011 prices | | Difference (in %) |
|---|---|---|---|
| | 2007-2013 | 2014-2020 | |
| 1. Smart and Inclusive Growth | 445,5 | 490,9 | 10,2% |
| *Of which Competitiveness* | *77,8* | *114,9* | *47,7%* |
| *Of which infrastructure* | *12,9* | *40,0* | *209,7%* |
| *Of which cohesion policy* | *354,8* | *336,0* | *-5,3%* |
| 2. Sustainable Growth: natural resources | 421,1 | 382,9 | -9,1% |
| *Of which Market related expenditure and direct payments* | 322,0 | 281,8 | -12,5% |
| 3. Security and Citizenship | 12,4 | 18,5 | 49,9% |
| *of which Freedom, Security and Justice* | 7,6 | 11,6 | *53,0%* |
| *of Citizenship* | *4,8* | 6,9 | *44,9%* |
| 4. Global Europe | 56,8 | 70,0 | 23,2% |
| 5. Administration (including pensions and European schools) | 56,9 | 62,6 | 10,1% |
| *Of which administrative expenditure of EU institutions* | *48,4* | *50,5* | *4,2%* |
| 6. Compensations | *0,9* | | |
| Total appropriations | 993,6 | 1.025,0 | 3,2% |
| In % of EU-27 GNI | 1,12% | 1,05% | |

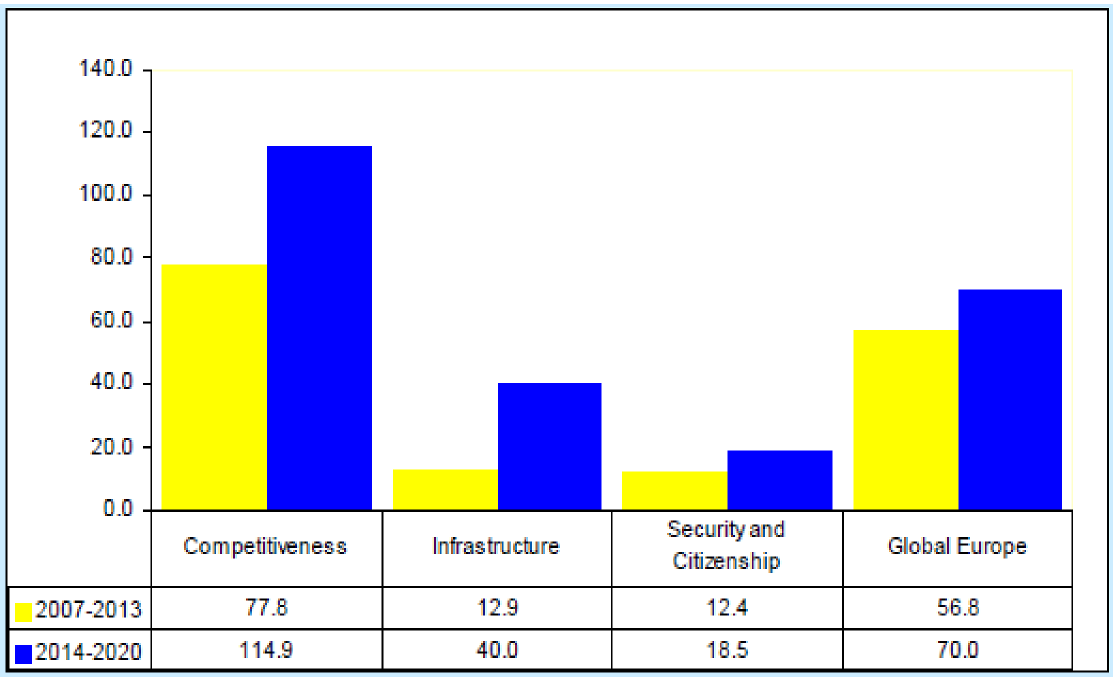
*Source: European Commission – The Multiannual Financial Framework (2014-2020) Presentation by Commissioner Lewandowski*

From Figure 4, it is striking to notice how the EU is increasingly concentrating its effort into creating better infrastructures to promote a more integrated Europe and enhance its Single Market project. The funds dedicated to the development of better energy, transport and digital networks more than doubled under the new MFF with a net increase of 209,7%. This initiative goes under the name of Connecting Europe Facility and it will be extensively treated in Chapter 3.

Furthermore, other important changes regard expenses on Security and Citizenship and on Competitiveness, with a positive percentage increase of respectively 49,9% and 47,7%.

Figure 5 summarizes the main changes brought by the new MFF. The numbers on the y-axis are in billion units.

*Figure 5: Strengthened Policies*




*Source: European Commission – The Multiannual Financial Framework (2014/2020) Presentation by Commissioner Lewandowski*

### 2.3 The Multiannual Financial Framework in Figures

Figure 6 *(below)* shows the total expected cash flows for the 2014/2020 period, which will form the new EU budget. All the numbers are adjusted to 2011 prices. As already mentioned before the total new budget foreseen by the new MFF will amount to approximately €1.025 billion in commitment appropriations, which stems out from the sum of the total expenses in the five EU major areas of interest.

*Figure 6: The MFF (2014-2020) – The Figures*

**MULTIANNUAL FINANCIAL FRAMEWORK (EU-27)**

*(EUR million - 2011 prices)*

| COMMITMENT APPROPRIATIONS | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Total 2014-2020 |
|---|---|---|---|---|---|---|---|---|
| **1. Smart and Inclusive Growth** | **64.696** | **66.580** | **68.133** | **69.956** | **71.596** | **73.768** | **76.179** | **490.908** |
| of which: Economic, social and territorial cohesion | 50.468 | 51.543 | 52.542 | 53.609 | 54.798 | 55.955 | 57.105 | 376.020 |
| **2. Sustainable Growth: Natural Resources** | **57.386** | **56.527** | **55.702** | **54.861** | **53.837** | **52.829** | **51.784** | **382.927** |
| of which: Market related expenditure and direct payments | 42.244 | 41.623 | 41.029 | 40.420 | 39.618 | 38.831 | 38.060 | 281.825 |
| **3. Security and citizenship** | **2.532** | **2.571** | **2.609** | **2.648** | **2.687** | **2.726** | **2.763** | **18.535** |
| **4. Global Europe** | **9.400** | **9.645** | **9.845** | **9.960** | **10.150** | **10.380** | **10.620** | **70.000** |
| **5. Administration** | **8.542** | **8.679** | **8.796** | **8.943** | **9.073** | **9.225** | **9.371** | **62.629** |
| of which: Administrative expenditure of the institutions | 6.967 | 7.039 | 7.108 | 7.191 | 7.288 | 7.385 | 7.485 | 50.464 |
| **TOTAL COMMITMENT APPROPRIATIONS** | **142.556** | **144.002** | **145.085** | **146.368** | **147.344** | **148.928** | **150.718** | **1.025.000** |
| as a percentage of GNI | 1,08% | 1,07% | 1,06% | 1,06% | 1,05% | 1,04% | 1,03% | 1,05% |
| | | | | | | | | |
| **TOTAL PAYMENT APPROPRIATIONS** | **133.851** | **141.278** | **135.516** | **138.396** | **142.247** | **142.916** | **137.994** | **972.198** |
| as a percentage of GNI | 1,01% | 1,05% | 0,99% | 1,00% | 1,01% | 1,00% | 0,94% | 1,00% |

*Source: European Commission - Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – A Budget for Europe 2020 (29/6/2011)*

The new MFF will outline in numbers a more goal-oriented budget, which will focus on impacts and results and will deliver added value to the EU countries. Indeed, the MFF (2014-2020) will move in 4 main direction:

- **Results** will be linked to the achievement of the objectives set for the 2014/2020 period. The number of programs will be reduced and particular attention will be devoted to the high-priority ones.

- **Simplification:** Under the MFF (2007-2013), rules to receive funding are becoming increasingly complicated; in some cases this complexity might discourage applications for funds. The new MFF will move in the opposite direction trying to simplify procedures.

- **Conditionality:** Funds will be made available under specific conditions set by the EU. In this way, the provision of funds will be more goal-oriented. In fact, the beneficiaries of certain funds will have to demonstrate that the money was used specifically to achieve the intended result. This is particularly relevant for the agricultural sector where farmers receive direct payments only if they comply to the Europe's environmental policies.

- **Leveraging Investment:** The EU will work alongside the private sector to generate economies of scale and amplify the impact of the budget-financed activities[15].

In order to give actual numbers, the European Commission in June 2011 made available its *Communication to the European Parliament, the Council, the European Economic*

15 European Commission. (2011). Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – A Budget for Europe 2020. Retrieved from http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=SPLIT_COM:2011:0500(01):FIN:EN:PDF

*and Social Committee and the Committee of the Regions – A Budget for Europe 2020*. This communication listed the major new elements that the new MFF introduces. First of all, €80 billion will be allocated to research and innovation. Moreover, research and innovation will be also be financed by the Structural Funds. This money is needed to fill the technological gap still present between Europe and the world largest countries such as the US and Japan.

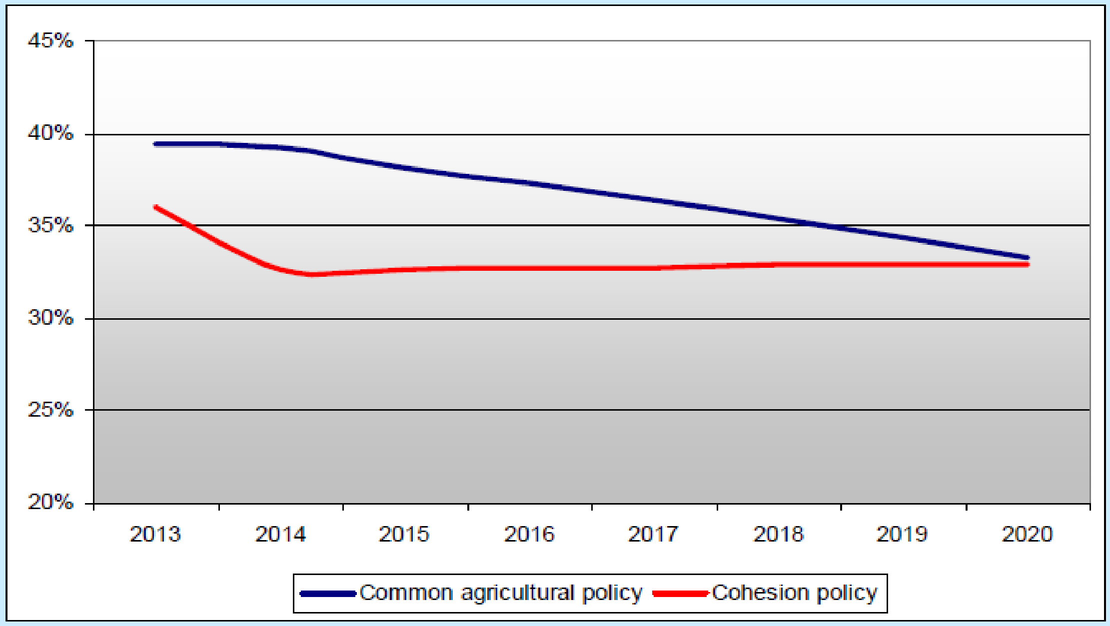
Secondly, €376 billion will be made available for the cohesion policy instrument. Almost half of this amount (€162,6 billion) will be devoted to the convergence regions (regions with a GDP per capita less than 75% of the EU average), highlighting the fact that the Convergence objective still remains one of the EU top priorities, also for the 2014/2020 period.

Thirdly, the Commission recognized that a proper internal market could only be realized by means of strong integrated well-functioning networks (e.g. transport, energy). For this reason €40 billion will be allocated to the Connecting Europe Facility, plus €10 billion for infrastructure investments inside the Cohesion Fund. This amount of money is supposed to work alongside private investment, addressing specific market failures that might often arise.

Fourthly, from Figure 6 *(above)* it is important to notice how the expenses under the CAP for direct payments are planned to constantly decrease each year until 2020. Figure 7 *(below)* plots the development of spending on the CAP as a percentage of whole budget against spending on the cohesion policy. Indeed, the CAP which once was the main area on which the budget was concentrated, will be given a decreasing amount of resources. For the 2014/2020 period, €281,8 billion will be allocated for direct payments, whereas €89,9 billion will be destined to rural development. Besides, another

€15,2 billion will be given to support other activities complementary to the CAP, such as R&D on food security and food support for poor persons.

*Figure 7: Development of the CAP and the Cohesion Policy as a Share of the Budget*




*Source: European Commission – The Multiannual Financial Framework (2014/2020) Presentation by Commissioner Lewandowski*

Fifthly, one of the Europe 2020 objectives is to reduce early school drop-outs and increase tertiary education. The new MFF proposes to allocate €16,8 to finance those programs that promote training, education and culture (e.g. Erasmus Mundus and Leonardo program) beside support given by the Structural Funds.

Sixthly, to foster the creation of an Europe with no internal borders, to guarantee its citizens the right to move and work indifferently in any Member State and to fight international criminal networks, the new MFF will allocate €8,2 billion into two newly created funds: the Migration and Asylum Fund and an Internal Security Fund.

Finally, in order to enhance its position as a global player and work alongside the other countries of the world into the achievement of the Millennium Development Goals, set by the United Nations, €70 billion will be dedicated to this purpose. Some of the purposes this money will serve are to fight poverty and illiteracy worldwide, defending human rights, help less developed countries and providing assistance to those people hit by wars or disasters. By looking at Figure 4, it can be noticed how the EU gives increasing relevance to its global role. Indeed, funds allocated to this area increased from €56,8 billion to €70 billion, with an increase of 23,2%. This shows how the Member States are committed into the creation of a strong Union with high global responsibilities.

## 3. THE CONNECTING EUROPE FACILITY

The Connecting Europe Facility represents the major innovative element included in the Multiannual Financial Framework (2014-2020). Indeed, the EU realized that to achieve the ultimate goal of an integrated and efficient Single Market, it is of paramount importance to have well developed networks. The Connecting Europe Facility (CEF) will be a budgetary instrument that will focus on three sectors: transportation, energy and telecommunications (digital). 'It is estimated that about €200 billion of investment is needed for electricity and gas networks [...], about €500 billion for the completion of a trans-European transport network, and €270 billion in ICT' for the period 2014-2020[16]. *(European Commission).* However, the CEF will amount to 'only' €50 billion. This figure seems almost irrelevant if compared to the actual financial needs of these sectors. Yet, it is not. In fact, the CEF is to work alongside private investment. The EU market can deliver the right amount of investment to develop proper infrastructures. The funds of the CEF will be deployed to correct market failures (e.g. remove bottlenecks and provide reliable cross-border connections) and stimulate investments especially in those areas covered by the convergence objective. Moreover, given this years of crisis, it is very unlikely that national governments will give priority to the realization of cross-border networks needed by the Single Market[17]. This reason represents another justification for the creation of the CEF.

A major element of innovation brought about by the Connecting Europe Facility is the introduction of a new financing tool, namely Europe Project Bonds, which will allow

16 European Commission. (2011). Regulation of the European Parliament and of the Council establishing the Connecting Europe Facility. Retrieved from http://ec.europa.eu/transport/infrastructure/connecting/doc/connecting/proposition.pdf

17 European Commission. (2011). Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – A Budget for Europe 2020. Retrieved from http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=SPLIT_COM:2011:0500(01):FIN:EN:PDF

private companies to raise funds from institutional investors in order to finance the infrastructure projects they are promoting[18]. In May 2012, the Commission approved a pilot phase for the Europe Project Bonds which will last until expiration of the current Multiannual Financial Framework.

If well implemented the Connecting Europe Facility can terminate the isolation suffered by several EU regions, particularly in newer Member States, and really create a balanced, strong integrated European Union with no second-class countries. On the energy side, well-functioning infrastructures mean continuously-guaranteed adequate supply of energy for every region coming from outside or inside the European Union. If energy supply can be guaranteed from multiple sources, energy prices will decrease as a consequence of increased competition. As a result, the energy market will become healthier and more consumer-oriented.

Figure 8 *(next page)* summarizes the amounts that the CEF will dedicate to the three sectors at stake. It is important to stress out that €10 billion out of the total €50 billion that the CEF will allocate, will come from the Cohesion Fund and will be directed to investment for transport infrastructures in the poorest regions of the Union.

18 European Commission. (2012). Europe 2020 Project Bond Initiative. Retrieved from http://ec.europa.eu/economy_finance/financial_operations/investment/europe_2020/index_en.htm

*Figure 8: CEF Budgetary Implications*

| | |
|---|---|
| CEF | €40 billion |
| • Energy | €9,1 billion |
| • Transport | €21,7 billion |
| • Telecommunications/Digital | €9,2 billion |
| Amounts ring fenced in the Cohesion Fund for transport infrastructures | €10 billion |
| **Total** | **€50 billion** |

*Source: European Commission - Regulation of the European Parliament and of the Council establishing the Connecting Europe Facility*

### 3.1 The Connecting Europe Facility – Transport

Transport is the sector to which the CEF will dedicate the largest amount of resources (€31,7 billion). When speaking about transport, the CEF goes hand in hand with the Trans-European Network Guidelines for transport, otherwise known as the TEN-T. The CEF is simply a tool to implement the TEN-T. The main purpose of the Connecting Europe Facility is to concentrate the EU funding and allocate it to the highest priority areas until 2020, which is the expiration year of the next MFF. As Siim Kallas, Vice-President and Commissioner for Transport, said: '[the funds of] the CEF will contribute significantly to establishing a competitive and resource-efficient transport system. They will help to reduce congestion, unleashing the potential of transport infrastructure for business and growth, as well as supporting the development of innovative transport[19]'. *(Connecting Europe: Putting Europe's Economy on the Move).* Indeed, the CEF will stimulate cooperation among Member States and, above all, it will be useful to attract and coordinate investment in those areas where it would be otherwise impossible. In many cases, the funds of the CEF will be useful to raise public and/or private investment and the EU will become a 'Supervising Authority'. Finally, a part of the fund of the CEF will be dedicated to the promotion of cleaner, environmentally-friendly modes of transport[20].

As already mentioned, the Connecting Europe Facility will serve to implement a broader objective, which is well defined by the TEN-T Guidelines. The original TEN-T Guidelines[21] include detailed maps of EU regions, showing existing and planned networks. This scrupulous and ambitious plan itself stresses out the importance attributed by the European Union authorities to the development of a well-functioning transport network.

More specifically, the TEN-T planning comprises a dual-layer structure, which makes a distinction between Core Networks and Comprehensive Networks. The Comprehensive Network consists of the basic layer of the European Transport Network and it includes all the existing and planned networks shown in the maps of the TEN-T Guidelines document. The EU's deadline for the completion of the Comprehensive Network is set for 2050. The Core Network, instead, consists of the most important, strategic part of

19 Siim Kallas. (2011). Connecting Europe: Putting Europe's Economy on the Move. Retrieved from http://ec.europa.eu/transport/infrastructure/events/doc/report_tent_conference_2011.pdf

20 Siim Kallas. (2011). Connecting Europe: Putting Europe's Economy on the Move. Retrieved from http://ec.europa.eu/transport/infrastructure/events/doc/report_tent_conference_2011.pdf

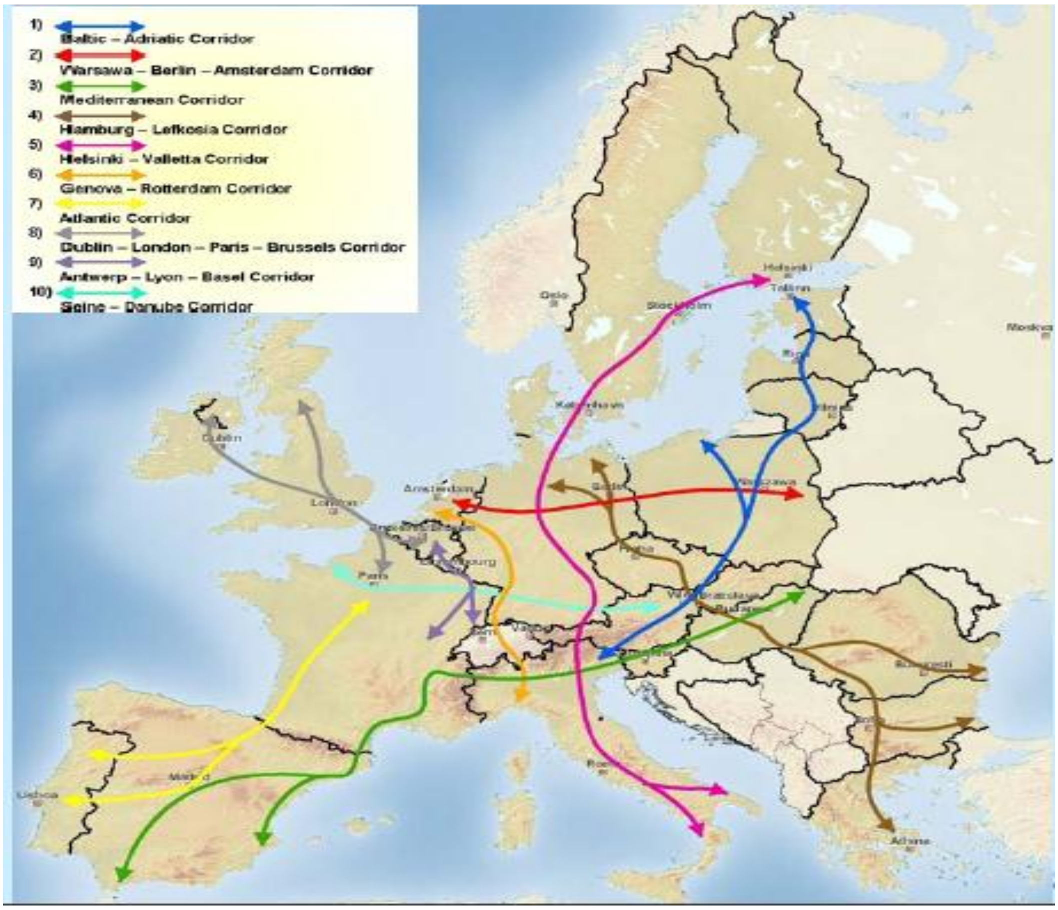
21 European Commission. (2010). TEN-T Guidelines. Retrieved from http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:204:0001:0129:EN:PDF

the Comprehensive one[22]. Its completion is set by the EU to be actuated by 2030. The CEF funding is strategically essential for the completion of the Core Network.

Besides, the TEN-T Guidelines devote particular emphasis around the concept of Core Network corridors, which should cross at least 3 Member States and cover multiple modes of transport. These corridors are regarded to be the first step towards the completion of the whole planned Core Network and, consequently, they have high priority for the ambitions of the Union. Figure 9 (*next page*) shows a map of these just mentioned corridors.

22 European Commission. (2012). Communication from the Commission to the European Parliament, the Council, the European Court of Justice, the Court of Auditors, the European Investment Bank, the European Economic and Social Committee and to the Committee of the Regions - A Growth Package for Integrated European Infrastructures. Retrieved from http://ec.europa.eu/commission_2010-2014/president/news/speeches-statements/pdf/20111019_1_en.pdf

*Figure 9: Core Transport Network Corridors*




*Source: European Commission – The Multiannual Financial Framework (2014/2020) Presentation by Commissioner Lewandowski*

### 3.2 The Connecting Europe Facility – Energy

For the energy sector the Connecting Europe Facility will allocate €9,1 billion and, just like the transport sector, it will facilitate and coordinate investment for the development of a trans-European energy network. The need to optimize the continental energy network and to overhaul the existing Trans-European Network for Energy (TEN-E) Guidelines (dating back to 2006) was invoked by the Commission on the 17th of November 2010 with its *Communication on energy infrastructure priorities for 2020* *and beyond*[23]. In June of the following year the Commission approved the CEF, which was developed in order to facilitate and eventually replace the current TEN Financing Regulation. The main goal of the CEF, regarding the energy sector, is to complete the internal energy market and ensure that every EU region is connected to the European network and it is not isolated and forced to obtain energy supply at unfair and discriminatory prices. Another objective is to interconnect existing networks at a continental level so as to render Europe a "smart supergrid[24]". *(Regulation of the European Parliament and of the Council on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC).* Moreover, the CEF funds will also be useful to achieve the 20-20-20 target which consists of a 20% reduction of greenhouse gas emissions, 20% increase in energy efficiency and 20% increased use of renewable energy in final energy consumption by 2020[25].

### 3.3 The Connecting Europe Facility – Telecommunications

Telecommunications (digital infrastructures) is probably the most delicate sector, that the CEF will be financing. Nowadays, it would not surprise us much to hear that we live in a digital world. Computers and networks make our life easier in every aspect, from

23 European Commission. (2011). Regulation of the European Parliament and of the Council on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC. Retrieved from http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0658:FIN:EN:PDF

24 European Commission. (2011). Regulation of the European Parliament and of the Council on guidelines for trans-European energy infrastructure and repealing Decision No 1364/2006/EC. Retrieved from http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0658:FIN:EN:PDF

25 European Commission. (2012). Communication from the Commission to the European Parliament, the Council, the European Court of Justice, the Court of Auditors, the European Investment Bank, the European Economic and Social Committee and to the Committee of the Regions - A Growth Package for Integrated European Infrastructures. Retrieved from http://ec.europa.eu/commission_2010-2014/president/news/speeches-statements/pdf/20111019_1_en.pdf

entertainment to our jobs. It is straightforward to understand the huge potential that this sector possesses. Therefore, the funds of the Connecting Europe Facility will facilitate the achievement of the Europe 2020 objectives, which consider the field of digital infrastructures one the most important areas to reach the ultimate goal of sustainable growth and be a strong global player. The European Union set as one of its priorities the achievement of a “Digital Single Market”. The ambitions of the EU consist of creating a fast backbone connections which cover all the EU regions and guarantee full interoperability among different frameworks[26]. However, the real major goal of the Union is to guarantee broadband connection, either fixed or wireless, in every area of Europe. In fact, in current times, rural areas but, more generally, areas far from the cities often cannot enjoy the advances of technology.

In practice, EU objectives translate into a universal connectivity of at least 30Mbps (Megabits per second), with at least 50% of households subscribing for 100Mbps (or faster) connection. In order to realize this ambitious project, as already mentioned before, it is estimated that a total of around €270 billion will be needed. The Connecting Europe Facility will then support, through grants and other innovative financial instruments, many projects, that will promote and work towards completion 30Mbps purpose[27].

26 European Commission. (2012). Communication from the Commission to the European Parliament, the Council, the European Court of Justice, the Court of Auditors, the European Investment Bank, the European Economic and Social Committee and to the Committee of the Regions - A Growth Package for Integrated European Infrastructures. Retrieved from http://ec.europa.eu/commission_2010-2014/president/news/speeches-statements/pdf/20111019_1_en.pdf

27 European Commission. (2012). Communication from the Commission to the European Parliament, the Council, the European Court of Justice, the Court of Auditors, the European Investment Bank, the European Economic and Social Committee and to the Committee of the Regions - A Growth Package for Integrated European Infrastructures. Retrieved from http://ec.europa.eu/commission_2010-2014/president/news/speeches-statements/pdf/20111019_1_en.pdf

Furthermore, the funds of the Connecting Europe Facility dedicated to telecommunications will be deployed to modify the nature of the digital industry. In fact this industry is very different from traditional ones. For instance, it is characterized by very little competition, given the size and limited number of the major players. Besides, companies willing to compete in the industry face huge entry barriers and large initial sunk costs. Under these circumstances it is very easy to find a single company that monopolizes the market. Thus, the CEF fund will also serve the purpose of creating a stronger competitive pressure in the industry.

The last purpose that the fund of the Connecting Europe Facility will serve, will be to publicly sponsor the roll-out of broadband connection in those areas where there is no business case[28]. In fact, digital network companies would find it unprofitable to invest in the development of proper infrastructures that will only serve a limited number of people (e.g. rural areas). However, as mentioned before, the EU objective is to guarantee universal connectivity. Hence, part of the CEF fund will finance these investments, that would otherwise be unprofitable for firms working in the digital sector.

28 European Commission. (2012). Communication from the Commission to the European Parliament, the Council, the European Court of Justice, the Court of Auditors, the European Investment Bank, the European Economic and Social Committee and to the Committee of the Regions - A Growth Package for Integrated European Infrastructures. Retrieved from http://ec.europa.eu/commission_2010-2014/president/news/speeches-statements/pdf/20111019_1_en.pdf

## 4. ASSESSMENT OF THE MFF (2014-2020)

### 4.1 Europe 2020 Targets

The Multiannual Financial Framework (2014-2020) practically translates in financial terms Europe's objectives for the period culminating in 2020. In order to assess whether the next MFF will be effective into properly tackling the right European problems, it is first necessary to take a look at the broad European targets set to be achieved by 2020. These are:

1. '**Employment**: 75% of the 20-64 year-olds to be employed
2. **R&D**: 3% of the EU's GDP to be invested in R&D
3. **Climate Change and Energy**: greenhouse gas emissions to be reduced by 20% less than 1990 level; 20% of energy to be obtained from renewables; 20% increase in energy efficiency
4. **Education**: Reducing school drop-out rates below 10%; and also at least 40% of 30-34–year-olds completing third level education
5. **Poverty and Social Exclusion**: at least 20 million fewer people in or at risk of poverty and social exclusion.[29]' *(European Commission – Europe 2020 Targets)*

To be more practical the EU institutions also translated each broad objective into national objectives so that each Member State could get a clear picture of what to do

29 European Commission. (2012). Europe 2020 Targets. Retrieved from http://ec.europa.eu/europe2020/europe-2020-in-a-nutshell/targets/index_en.htm

and where to concentrate its actions and also check its progress. However, despite this differentiation by Member State, the EU bodies stressed out that the 5 targets are common goals, regarding each country and they can only be achieved through concerted actions.

Taking into consideration the particular years that the EU is facing, it is hard to say a priori whether the next Multiannual Financial Framework will be a success for the Union or it will leave the current situation unchanged. Yet, by analyzing the changes that the current budget will incur, we can certainly deduce whether the EU is moving towards the right direction.

### 4.2 The MFF (2014-2020) Towards the 2020 Targets

As reported by the Eurochambres (the Association of the European Chambers of Commerce), the next Multiannual Financial Framework represents an evolution with respect to the current one. However, the Chambers still find that adjustments should be made, especially with respect to funds allocated to small and medium-sized enterprises (SMEs), which are still about 0,2% of the total final budget. Moreover, they see the MFF (2014-2020) still rather conservative and they claim for a further simplification of the procedures to receive funds[30]. Despite this negative remarks, the Chambers argued that the proposed MFF (2014-2020) is an optimal starting point to develop a "perfect" budget and they were particularly satisfied with the chosen 7-year period. In fact, by aligning the next MFF (2014-2020) with the Europe 2020 targets, the European Union calls for a close and constant monitoring of the progress towards the achievement of

30 Eurochambres. (2012). Eurochambres Position Paper on the Multiannual Financial Framework 2014-20. Retrieved from http://www.eurochambres.be/objects/1/Files/EUROCHAMBRES_Position_Multiannual_Financial_Framework.pdf

these targets. Moreover, budgetary efforts will give priority to all the initiatives complementary to reach the EU 2020 goals, being in line with a proposed more result-oriented budget.

With respect to the Employment target, the next MFF will promote 3 ways to achieve it. First of all, it will renovate funding for the European Social Fund (ESF), that, as mentioned in Chapter 1, is the fund deployed to guarantee access to jobs for job-seekers and also create better condition for employment. Secondly, the next MFF will foresee an integrated program for employment, social policy and inclusion, which will promote a high level of employment by stimulating the sharing of knowledge across Member States, by supporting innovation, harmonization of employment policies, and entrepreneurship and by boosting labor mobility within the EU. Finally, the EU with the European Globalization Adjustment Fund (EGF) will provide financial help to all those workers that have been made redundant as a result of sudden structural changes, caused for instance by a crisis or, more commonly, by the globalization process[31].

For Research and Development the next Multiannual Financial Framework plans to allocate €80 billion to finance programs that can bring innovation and excellence in major sectors, such as health, energy and food security. This amount of money dedicated to R&D exceeds considerably the 3% of the EU GDP target, stressing out how the EU is particularly sensitive on this issue and, thus, is devoting a big part of its resources towards the completion of this target.

The Climate Change and Energy target, known as the 20-20-20 target, is reached in several ways. As said in Chapter 2, one of the innovation brought about by the new

31 European Commission. (2011). Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – A Budget for Europe 2020 – Part II: Policy Fiches. Retrieved from http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=SPLIT_COM:2011:0500(02):FIN:EN:PDF

MFF, is the increasing importance on the concept of conditionality. As a result, the receipt of several EU funds have been made conditional on many factors (e.g. less pollution). Besides, the funds of the Connecting Europe Facility will also be used to promote a more environmentally-friendly transport and energy sector. Furthermore, the achievement of the 20-20-20 target will also be made possible by the increased relevance given to the R&D, which is the paramount instrument to find the way to implement clean technologies and renewable energies. Finally, the greening of direct payments to farmers also contributes relevantly to the development of an agriculture that will put as one of its top priorities the preservation of the environment[32].

For the accomplishment of the Education target, the next MFF foresees the allocation of €16,8 billion to promote education, training and culture. In particular, these funds will serve to promote those programs that support the internationalization of students. For example one of these programs, named Youth on the Move, aims at helping students to find a job by making it easier for them to gain traineeship and job-related experience in other countries of the Union[33]. This aspect is essential for the creation of a closer European Union with no internal borders. However, the next MFF does not really tackle directly the problem of early school drop-outs. Therefore, more action needs to be made to achieve this target.

To fight poverty and accomplish the EU 2020 target of taking out of poverty at least 20 million people, the EU has created a "European Platform Against Poverty and Social Exclusion". Through this platform the EU provides guidelines to national

32 European Commission. (2011). Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – A Budget for Europe 2020 – Part II: Policy Fiches. Retrieved from http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=SPLIT_COM:2011:0500(02):FIN:EN:PDF

33 European Commission. (2012). Europe 2020 Initiatives. Retrieved from http://ec.europa.eu/social/main.jsp?langId=en&catId=956

governments[34]. In fact, despite poverty and social exclusion represent global problems, fighting them is still under national governments responsibilities. By means of its budget the EU can only support initiatives that make it easier for citizens to integrate and find suitable jobs, especially through the European Social Fund. Yet, if national governments are not willing to give up their autonomy on this issue, there is not much that the EU can do to solve the poverty problem, also considering the limitation of its budget.

To sum up, the next Multiannual Financial Framework represents a good starting point towards the accomplishment of the Europe 2020 targets. With its future budget, the EU renovates its effort to promote employment, research and development and environmentally-friendly practices. Besides, special support will be given to those programs that promote integration of students and workers and the elimination of internal cultural boundaries. However, in order to be more effective, more resources need to be allocated to the budget and more power should be given to the EU institutions, even if that means giving up national autonomy.

Given the hard time that the Union is facing, the impacts of the next MFF are hard to predict. Much of it will also depend on the political cohesion of the Member States, which is now more than ever at stake. However, it can be said that the EU is moving in the right direction and it is showing willingness to keep up with the ambitious project that started on the 25th of March 1957 with the Treaty of Rome.

34 European Commission. (2012). European Platform Against Poverty and Social Exclusion. Retrieved from http://ec.europa.eu/social/main.jsp?catId=961&langId=en

## CONCLUSION

This paper has focused on the analysis of the European Union budget and its future developments proposed by the Multiannual Financial Framework (2014-2020), which is a document that sets the maximum amount of money to be spent on several areas and translates in numbers the EU objectives for the period it covers. Currently, the EU budget is divided into five main categories: sustainable growth; preservation and management of natural resources; citizenship, freedom, security and justice; the EU as a global player; and administrative costs. The first two headings account for more than 80% of the total budget.

With the funds dedicated to sustainable growth the EU concentrates its efforts towards the creation of a more competitive and balanced Europe, with emphasis on the process of convergence of the poorest countries towards the richer Member States' levels. The most important funds in the hands of the EU institutions are: the European Regional Development Fund (ERDF); the European Social Fund (ESF); and the Cohesion Fund. Whereas, the heading of preservation and management of natural resources contains the Common Agricultural Policy (CAP). The CAP guarantees direct payments to farmers and also provides funds for rural development. Although a constantly decreasing amount of money is dedicated to the CAP, it still accounts for a large part of the total budget expenses.

The current Multiannual Financial Framework will expire in 2013 and will be substituted by a new MFF which will last until 2020. The new MFF will not change much in terms of countries' contribution to the EU budget, that will remain at around 1% of national GNI. However, the next MFF will move towards four important directions: results; simplification; conditionality; and leveraging of investment. Indeed the MFF (2014-2020) will provide a budget that will be result-oriented; exemplified in the procedures to receive funds; and that will work alongside private investment. Moreover, the concession of funds will be made dependent on specific conditions set by the EU (e.g. direct payments to farmers conditional on compliance with environmental policies).

The most innovative aspect introduced by the new MFF is a fund for the development of European infrastructures, namely the Connecting Europe Facility. Indeed, €50 billion will be made available to stimulate investments in the transport, energy and telecommunications network. For transport the CEF will provide €21,7 billion plus €10 billion earmarked to the Cohesion Fund, to be destined to the convergence regions (regions with GDP per capita less than 75% of EU average). To the energy sector the CEF will devote €9,1 billion, whereas €9,2 billion will be made available for the telecommunications sector. The money allocated to the three sectors at stake is much less than the sectors' actual needs. In fact, the CEF funds are supposed to work together with private investments. Hence, the CEF will be deployed to correct market failures (e.g. remove bottlenecks and provide reliable cross-border connections) and stimulate investments especially in those areas covered by the convergence objective. Furthermore, it will be useful to provide financial support to priority projects, that are unprofitable to accomplish for private companies (e.g. broadband connection in rural areas) and to concentrate investment on cross-border projects that will not be given priority by national governments.

Given the particular hard years that the Union has been and it is now facing, it would be very hard to assess the impact that the next Multiannual Financial Framework is likely to bring. Yet, as the Association of the European Chambers of Commerce reported, the new MFF represents a good starting point towards a "perfect" budget. Indeed, the MFF (2014-2020) provides a good budgetary framework focused on the achievement of the five Europe 2020 targets. In particular, with its future budget, the EU renovates its effort to promote employment, research & development and environmentally-friendly practices. Besides, it will provide special financial support to those programs that promote integration of students and workers and the elimination of internal cultural boundaries. Nevertheless, despite many good initiatives, the new MFF does not solve the main problems concerning the current budget. In fact the budget size will remain limited and it will stay impotent in many areas under national responsibilities where the EU can only provide guidelines. In order to be more effective Member States should give more power to the EU institutions and, as a result, enlarge the size of the budget.

To sum up, the new MFF (2014-2020) proposes a more result-oriented budget, set to accomplish the five Europe 2020 targets. Even if some adjustments are needed, the MFF (2014-2020) confirms the Member States ambition to have a more integrated Union. Nevertheless, the success of the policies proposed by the next MFF is hard to predict. Much of this success will depend on the capability of the Member States to reach political cohesion. If the EU countries overcome their divergences and start to work side by side to create a better Union, I believe that the initiatives included in the Multiannual Financial Framework (2014-2020) are likely to bring surprisingly positive effects, that will benefit the European Union as a whole.

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